Consumer Finance Group

2007

multicultural and emerging markets lending forum

highlights*

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PricewaterhouseCoopers

New markets, enhanced approaches, boundless growth opportunities

This is an exciting time for the consumer finance industry as lenders increasingly discover the tremendous opportunities that exist among emerging market consumers. We continue to witness how the major players make significant investments in these markets, and we also detect new and significant players approaching these markets as they begin to recognize the unlimited opportunities that exist.

Industry professionals' discoveries of "new" emerging markets – beyond African-, Hispanic- and Asian-American consumers – fuel a swelling demand for new and innovative consumer financial products. We believe these groups – baby boomers, US customers interested in foreign properties, households headed by women, and "green" banking – will soon become significant drivers of growth for the financial services industry.

Of course, along with these exciting opportunities come realistic challenges as lenders, hoping to effectively serve these growing multitudes, must better understand their diverse needs and take existing emerging markets strategies to the next level.

For this year's Multicultural and Emerging Markets Lending Forum, we brought together some of the industry professionals who are already successfully forging the paths to break through to these markets and produce the positive outcomes we know are possible. We hope this highlights document will be of value to you, and please contact your PricewaterhouseCoopers Engagement Partner or any of the industry leaders listed on the PwC contact list provided.

We welcome any comments you have.

Sincerely,

Michael B. Stork

Michael B. Stork
Partner, Consumer Finance Group
PricewaterhouseCoopers LLP

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Emerging Markets Update

Roberto Hernandez, Manager, PricewaterhouseCoopers and Martin Touhey, Senior Manager, PricewaterhouseCoopers

Emerging Markets? Not Anymore

In the consumer finance industry, practitioners traditionally define the term "emerging markets" in two ways: first, as multicultural minorities that have traditionally been underserved by the financial services industry (e.g., Hispanic, Asian-American and African-American consumers); and second, as groups that possess certain characteristics or behaviors that require a different type of product or service.

"At PricewaterhouseCoopers, we see a broader definition of emerging markets. In our opinion, there are five key emerging market segments that offer significant growth opportunities to the consumer finance industry," explains Roberto Hernandez, a manager in PricewaterhouseCoopers' Consumer Finance Group. "We believe the first segment, multicultural markets, is actually an "emerged" market that holds tremendous market opportunity – $2.7 trillion in buying power generated by millions of Hispanic, African and Asian Americans by 2010.[1]

"This group no longer represents only a small segment of the population that offers interesting but limited revenue and profit opportunities. We are talking about a market that is already here, is growing and demands products from the consumer finance industry."

The other four emerging markets segments – baby boomers, US customers interested in foreign properties, households headed by women and "green" banking – may not be on the radar screen of most financial executives, but have the potential of becoming as important as multicultural markets.

Combined, these five emerging market segments will represent 50 percent of new homeowners in the United States as early as 2010. Additionally, 70 percent of the organic growth in consumer finance (e.g., mortgage banking, auto lending, credit cards, home equity) may come from the Hispanic market alone.

Multicultural Markets

Hispanics

Hispanic Americans have become the biggest minority in the nation. An estimated 43 million Hispanic Americans reside in the United States; by 2011, projections indicate this market will represent more than 16 percent of the US population.[2]

While California, Texas, Florida and Illinois will continue to significantly drive Hispanic market growth, we now see that the Carolinas, Virginia and some other parts of the country show signs of explosive Hispanic immigrant growth rates.[3]

Executives should recognize that it is important to subdivide the Hispanic market by different levels of "acculturation" when contemplating strategies. These include:

- Unacculturated: recent immigrants that primarily follow their home country traditions
- Partially acculturated: raised by first-generation parents but attended school in the United States or moved to the United States as young professionals or retirees
- Fully acculturated: raised by second-generation parents; fully assimilated to US culture; may not even speak Spanish

Executives should also take into consideration some common misconceptions held by Hispanic consumers in all segments – especially lower-income residents – including the following:

- Consumers must have "perfect credit" to purchase a home.
- High down-payments are required.
- Once consumers purchase a property, they must live there until they pay off the loan.
- A consumer needs a Social Security number to have access to financial products and services.
- Nontraditional loans carry much higher interest rates.

Emerging markets executives should educate these consumers to help alleviate those misconceptions and must also educate themselves and look beyond their own misconceptions about this market.

"Some executives think they just need to put a Spanish-language advertisement in the newspaper or buy air time on a Spanish-language television channel," Mr. Hernandez explains. "However, an increasing percentage of the population – even though they may prefer to speak Spanish at home – prefers to conduct business in English, so this strategy is not valid."[4]

"Another common misconception is that when we talk about Hispanic markets, we are talking only about illegal immigrants," Hernandez continues. "Of course, illegal immigrants are a segment of the Hispanic market, but that doesn't mean that all Hispanic customers have a link to illegal immigration."

Asian-American Market

"The Asian-American market has been forgotten by a number of players in the industry," explains Mr. Hernandez. "The reality is that it's the second-fastest-growing minority population in the US – comprising 3.5 million households[5] – so it's important to see the opportunities that this market offers."

If you already have a Hispanic market strategy in place, you can apply many of that strategy's elements to the Asian-American market as well, making this market even more appealing.

"The Asian-American market is much more concentrated in particular cities and areas of the country," said Mr. Hernandez. "This provides a considerable opportunity: instead of targeting a customer base nationwide, companies can target the Asian-American market in a focused way and can test some of their pilot programs with greater success."

The Asian-American homeownership rate rose from 52 percent in 2000 to 59 percent in 2005. Additionally, Asian Americans tend to buy higher-priced homes – $199,000 versus $118,000 for the average US customer.

Executives should keep in mind that Asian Americans are often much more rate- and fee-sensitive, tend to place higher down payments and demonstrate a strong desire to avoid mortgage insurance payments.

African-American Market

Although some in the industry question the inclusion of the African-American market as an "emerging" market, in many cases, this market has historically been underserved by the industry. In the past couple of years, the importance of this segment has increased as companies have recognized its potential and have begun to tailor their strategies accordingly.

"A number of elements are common to the Hispanic, Asian-American and African-American markets in terms of how lenders can target these markets and what are the needs of these markets," Mr. Hernandez explains. "However, companies are increasingly trying to identify unique opportunities in underserved African-American subsegments."

An important growing contingent of the African-American market is African-American women who are heads of their households. Since women are the heads of half of African-American households, this segment represents a prominent component of the new "emerging markets."

Islamic-American Market

Islamic banking is important in the US because the number of Islamic Americans continues to grow. The US Census Bureau's Current Population Survey counts 2.1 million Muslims in America; however, industry experts, academics and Muslim leaders place the figure closer to five to seven million. Researchers estimate the Islamic mortgage market at $600 million.

While this segment offers opportunities for consumer finance companies, there are unique challenges they must consider before targeting Islamic customers, including offering products that comply with Shar'iah law. These are products that have been reviewed and formally approved by a group of Islamic scholars. The teachings of Islam prohibit followers from receiving or paying interest (Riba), particularly on a sum of money to defer payments.[6]

"However, this does not mean that financial institutions must forgo the time value of money," Mr. Hernandez explains. "It just means that they must structure our financial products differently to comply with Islamic law."

New Emerging Markets

"Today, beyond the population segments that executives think of as the traditional emerging markets, it is important for companies to recognize and acknowledge the new emerging markets," explains Martin Touhey, a senior manager in PricewaterhouseCoopers' Consumer Finance Group. "These markets – baby boomers, US customers interested in foreign properties, households headed by women and "green" banking – present tremendous opportunities for the lending industry."

Baby Boomers

"I think everyone recognizes the huge purchasing power of the baby-boomer market segment," said Mr. Touhey. "As the 78 million baby boomers in this country continue to age, their financial needs change. These are, by and large, customers looking for smaller, trade-down homes or homes with specific features and more services such as mobile bank branches. Their demand for second and vacation homes here and abroad is also growing."

As baby boomers begin to retire, they are looking beyond Florida and Arizona for retirement homes, and they are more interested in acquiring second properties abroad. Already, more than one million Americans own property in Mexico. Because all international markets differ, buyers should become well informed of the various nuances – payment requirements, title issues, closing costs, legal rights to the land, etc. – before plunging into the market.

The other big segment – or product that this segment is driving – is the reverse mortgage. While reverse mortgages have existed for years, until recently, they were not a high-demand product. Reverse mortgages allow homeowners ages 62 and older to turn the equity in their homes into cash without having to move or make monthly mortgage payments. Many baby boomers are home-equity rich, but face a cash deficit to fund their retirements. As a result, the reverse mortgage has become a more prominent product, and an increasing number of lenders now offer it.

The demand for this product is growing, as evidenced by a 77 percent increase in FHA-insured home equity conversion mortgages between 2005 (43,131) and 2006 (76,351). And the demand for this product is expected to grow to 120,000 in 2007.

International Lending Opportunities

Two international lending opportunities are opening up for US consumer finance companies: mortgages originated in the US for people interested in acquiring vacation properties in other countries (e.g., vacation homes in Mexico) and mortgages for US residents interested in acquiring properties for themselves or their families in their home countries. Latin America, India and China are popular locations for these types of mortgages.

"For Americans looking to acquire property as a second home or a vacation home in other countries, few options currently exist," Mr. Touhey explains. "Many who pursue this option use home equity loans to acquire the property. However, with this approach, their costs are higher than if they were getting a mortgage."

Some consumer finance companies now offer binational mortgages for this customer, and some foreign companies are assessing the opportunities for possible entry into this market.

Opportunities also exist to lend to immigrants who have come to the United States and seek to acquire properties for their families in their home countries. Roughly 20 to 25 percent of the wire transfers from the US to Latin America are for housing-related expenses.

Households Headed by Women

"You might be astounded by the demographics of the segment households headed by women," Mr. Touhey remarks. "According to the National Association of Realtors, single women are the fastest-growing segment of home buyers. Single women purchase 21 percent of homes, compared with just nine percent for single men. Furthermore, an estimated half of all US wealth could be in the hands of women by 2010."

Collectively, women earn more than $1 trillion annually and influence $2.4 trillion (80 percent) of the $3 trillion annual consumer sales.[7] Subsequently, several financial services companies have already identified the opportunities that this customer segment offers and have established specialized business units that serve the needs of this group.

"The approach for this segment is no different than for some of the other emerging markets," Mr. Touhey explains. "As a group, women are more risk-averse than men, and more likely to ask many questions. Therefore, a relationship-driven approach is highly desirable for this important customer segment."

Green Banking

An ever-increasing number of US customers are looking for environment-friendly, or "green," products and services such as hybrid cars, alternative energy sources, recycling and organic foods. Although not directly related to the environment, consumer finance companies have an opportunity to be part of this change.

Some of the "green" market products US consumer finance companies currently offer include:

- Home equity loans with special rates for energy-efficient home improvements
- Eco-friendly credit cards that contribute a percentage of each transaction to environmental organizations
- Green mortgage programs in which borrowers receive reduced interest rates for acquiring homes that meet Energy Star specifications

"If you're a financial institution, it's important to understand how you can market to this segment and, at the same time, be a good corporate citizen, and address and alleviate some of the concerns environmentally conscious consumers have," says Mr. Touhey. "Don't think of this as a passing trend, but rather one that might become one of the fastest growing emerging markets of the future."

Emerging and Subprime Markets

"While both emerging and subprime markets present risks that lenders must properly identify and manage, these markets are not the same," Mr. Touhey explains. "Understand that the lack of a traditional credit history does not equate to a poor credit history, and delinquency and foreclosure rates of these two segments are different."

What are the consequences that come with misclassification of emerging markets as subprime? The downside is that you take a lot of products and services off the table that you may be able to sell into this market because you're treating them as subprime borrowers. Specific consequences include:

- Inability to offer suitable products to emerging market applicants
- Possible regulatory infractions for perceived predatory lending
- Inability to effectively cross-sell
- Loss of consumer confidence
- Negative publicity

It should now be clear that the old definitions of "emerging" markets are inaccurate and obsolete in today's consumer finance industry. The newly defined "emerging" market consumers have tremendous buying power, but they also have different needs, attitudes and values regarding lending. Executives must make the effort to understand these influential consumers and adapt their products, services and techniques to serve those needs, relate to those attitudes and comply with those values.

Endnotes:

1 Selig Center for Economic Growth

2 Selig Center for Economic Growth, Terry College of Business, University of Georgia, June 2006

3 US Census Bureau, 1990 to 2000

4 Hispanic Fact Pact, 2006

5 US Census Bureau, 2000

6 Chicago FED Letter, Number 214, May 2005, "Islamic finance in the United States: a small but growing industry"

7 US Census Bureau, 2000, Summary File and Population Projections. The State of the Nation's Housing, 2004. Joint Center for Housing Studies of Harvard University.

Hispanic Market: The "Emerged" Market

Rick Troutman, President, HispanicLending.com

"Traditional ideas do not apply to Hispanic or emerging markets," Rick Troutman, President of HispanicLending.com explains. "If you think like that, you're not going to be very successful at reaching them."

"Throw out your conventional thoughts, put them over here, and think about something brand new."

Mr. Troutman explained that lenders must think in terms of subsegments of a big group – the Hispanic market. "These subgroups include the new immigrants that come here every day. And you have the first-generation, second-generation, and third-generation Hispanics. You have Hispanics of different countries of origin living in different regions of the United States. Executives must know how to reach each subgroup, because each has different needs, ideas and levels of trust when it comes to borrowing money."

What is important to the Hispanic homebuyer? Home ownership – pride in a home, being able to pay for it – is one of the most important ideals for most Hispanic Americans. The Hispanic market has traditionally stayed away from long-term loans. Instead, short-term notes and fixed rates are very popular within this market, which prefers stability in mortgage payments.

Additionally, many Hispanic Americans do not understand the concept of mortgages – especially adjustable rate mortgages. For non-English-speaking Hispanics, this problem is magnified because much of the mortgage terminology doesn't translate.

"Hispanics will do "whatever it takes" to keep their homes, so lenders report that loans to Hispanic-American customers tend to perform as well as 'A' loans," Mr. Troutman explains. "It all goes back to that traditional pride the culture has in owning a home."

How do we streamline a mortgage process for the Hispanic borrower? Education is the key. Lenders must educate their borrowers. They must also provide them with simple-to-follow checklists to tell them, step-by-step, how to complete the loan process and assemble the necessary documents.

Loan officers must fully understand the process before selling the products. Products that target the Hispanic market are not difficult to understand, but the underwriting guidelines are different than with traditional loans. It's also important for loan officers to follow these guidelines and stay in regular contact with the borrower to help walk them through the process.

"Finally, perseverance is the key to success," Mr. Troutman says. "It takes perseverance to work with a Hispanic market, but you will be repaid over and over again if you work diligently to help your Hispanic customers get the houses they desperately want."

Marketing Strategies – Watch Out for the Common Pitfalls

"Successfully reaching out to Hispanic Americans doesn't mean that you should take an English advertisement that's been successful for non-Hispanic customers and translate it into Spanish," Mr. Troutman explains. "It won't work. And you cannot continue to use conventional techniques. Probably one of the most successful approaches with this market is an innovative, grassroots approach."

Additional common mistakes to avoid when marketing to Hispanic consumers include:

- Don't infuse "Anglo" ideas into your marketing plan.
- Don't throw large sums of money into marketing at first.
- Be wary of media outlets that want extended contracts.
- Use "outside" agencies to develop advertising campaigns that offer a different look and perspective.
- Don't give up after little or no success.
- Not all advertisements must be in Spanish (40 million Hispanic Americans are bilingual).

Choose Your Media Channels Wisely

Radio

While television's effectiveness is growing, the current number-one resource for the Hispanic market in the US is radio. However, the larger Hispanic radio stations are expensive. Often, smaller, less expensive radio stations are an effective option. Other points to consider for radio outreach include:

- Female spokespersons seem to be more effective.
- Don't say what everybody else is saying.
- Clever and catchy is the key.
- Purchase "block" time.
- Provide an educational resource.

Television

If you are considering using television, remember that it's expensive, and only 20 percent of Hispanics in the US speak Spanish exclusively. Although seldom used to target Hispanic audiences, infomercials provide a relatively inexpensive option that offers a highly effective medium for educational messaging. To further connect with this audience via television, Mr. Troutman suggests that marketers hire a telenovela (night-time soap opera) star or soccer player as spokesperson and develop an iconic character to represent the company.

Print

Most Spanish-language newspapers are free and reach a wide audience, but marketers must understand subscription, distribution and circulation numbers to effectively target prospective customers via print. "Unlike television and radio, which force you to grab the audiences' attention in short 30- or 60-second segments, print allows you to educate your customer," Mr. Troutman explains. "Repetitive print ads will allow you to reinforce the impact of your message."

Executives should advertise in both Spanish and English to reach the widest audience.

Web

Effective web advertisers use simple language and develop English and Spanish versions of each ad.

Regarding translation of the advertisements into Spanish, Mr. Troutman remarks, "Because of the different dialects and linguistic nuances, I have found that there is no correct translation when it comes to print and web advertising. I advise marketers to use Castilian Spanish, which is equivalent to the Queen's English, but in Spanish. Some readers will still come across words they don't understand, but the majority of readers will understand most Castilian Spanish verbiage."

A few additional tips for web advertising include:

- Drive web traffic through print or other media advertisements and search engine optimization.
- Use easy-to-understand and remember domain names.
- Keep online forms simple.

Grassroots Outreach and Organizations

"Grassroots efforts allow you to target very specific Hispanic-American customers," Mr. Troutman explains. "Go to local cultural and professional events and to faith-based groups. These groups have newsletters that target the Hispanic community and allow advertisers to market their products."

Other Hispanic-American organizations that marketers can leverage include:

- National Association of Hispanic Real Estate Professionals
- United States Hispanic Chamber of Commerce
- Local Hispanic Chambers of Commerce
- Churches
- Non-profits

"Probably the most important difference between marketing to Hispanic Americans versus marketing to non-Hispanics is this: once you successfully help one Hispanic customer buy a home, you've earned their trust, and you're probably going to have 10 people behind him or her, and they're going to have 10 people behind them based on that initial sale," Mr. Troutman said. "Of course the reverse holds true, too. If you don't treat them right, everybody's going to know that."

Legal and Regulatory Trends and Developments that Impact Emerging Markets Lending

Lorna Neill, Attorney, K&L Gates

"Ensuring compliance with the laws and regulations triggered by lending to multicultural borrowers is important for several reasons," explains Lorna Neill, an attorney with K&L Gates. "First, penalties can be stiff. Second, compliance is simply the right thing to do - these laws basically revolve around treating emerging market consumers fairly."

"Finally, compliance is good for business. Word-of-mouth (advertising) is an important method to obtain and retain these customers – they tend to have a very strong sense of community, so when they're treated fairly, that spreads around to their friends and families. Conversely, when they're not treated fairly, that spreads around as well.

"Many of the legal cases brought by foreign language-speaking consumers have involved brokers who have reached out to these consumers in the consumers' native language, but allegedly failed to give them the proper information about the loan terms, fees and rates. In other words, the plaintiffs claimed that the broker's oral representations were vastly different than the obligations imposed on the borrowers under the English language loan documents."

Six Recommendations for Safe Lending to Emerging Market Customers

1. Comply with foreign language disclosure laws (state)

Currently, the main state foreign language disclosures impacting home mortgage lenders are in California. California has two foreign language disclosure laws; the primary law is Cal. Civ. Code §1632, which now applies to certain types of home mortgage lenders and all reverse mortgage lenders. There are no express foreign language disclosure requirements on the federal level.

2. Be prepared to assist foreign language-speaking consumers throughout the loan process

"Borrowers must understand their loan products," Ms. Neill explains. "This is even more important now

A sampling of laws on which legal claims have been based in cases involving foreign language-speaking borrowers include:

- The Fair Housing Act prohibits housing discrimination on the basis of race, color, religion, sex, disability, familial status and national origin. Its coverage includes private housing, housing that receives federal financial assistance, and state and local government housing.
- The Equal Credit Opportunity Act ensures that all consumers are given an equal chance to obtain credit and prohibits discrimination based on prohibited factors such as national origin, race, gender, age, etc.
- The Real Estate Settlement Procedures Act covers closing costs and settlement procedures. It requires that consumers receive disclosures at various times in the transaction and outlaws kickbacks to settlement service providers that increase the cost of settlement services.
- The Truth in Lending Act requires accurate disclosures of all loan terms, fees and interest rates.
- The California Fair Employment and Housing Act prohibits housing discrimination based on race or color; religion; national origin or ancestry; physical disability, mental disability or medical condition; marital status; sex or sexual orientation; and age.
- The California Unruh Civil Rights Act provides protection from discrimination by all business establishments in California, including housing and public accommodations, because of age, ancestry, color, disability, national origin, race, religion, sex and sexual orientation.
- California Foreign-Language Disclosure Law requires that a contract be provided in a foreign language if the contract was negotiated primarily in that language.
- California's Unfair Competition Law prohibits business practices that are unlawful, unfair and fraudulent while also prohibiting unfair, deceptive, untrue or misleading advertising.
- Common Law Claims: Fraud and Misrepresentation; and Unconscionability occur when a contract is out of the realm of what a borrower can afford, and it is clear that the borrower did not truly understand contract terms.

because there are so many exotic products out there. Loan officers and any brokers with whom lenders partner also should understand the products and be able to explain them."

3. Ensure that foreign language marketing materials are not deceptive and that they comply with advertising rules

"The Federal Trade Commission Act and many state Unfair and Deceptive Acts and Practices (UDAP) laws require that advertisements be fair and not misleading," Ms. Neill says. "Yes, ads should be clever and should effectively reach out to emerging market consumers, but it's also crucial that they be accurate and clear."

4. Tighten monitoring of brokers and loan officers in Hispanic and other multicultural communities

Information given to foreign language-speaking consumers in oral communications should correspond with written materials, especially loan documents.

5. If you offer special products, such as ITIN loans, offer them to all consumers with a need for the product

Financial institutions that offer a loan product to a select customer segment and do not offer them to all potential customers with a need for the same type of product could be vulnerable to a discrimination claim under the federal Equal Credit Opportunity Act.

6. Partner with community organizations to educate consumers in multicultural communities about the home-buying process, but be mindful of prohibitions on referral fees under the Real Estate Settlement Procedures Act (RESPA)

Section 8 of RESPA prohibits a lender from compensating anyone solely for referring borrowers to that lender. The only way that a lender can legally compensate a community organization from which the lender receives mortgage loan business is if the organization also performs specific nonreferral services that expressly merit compensation under RESPA.

Secondary Marketing Update

Jose Tolosa, Chief Operating Officer, HNMA Funding

HNMA is a for-profit company sponsored and capitalized by prominent members of the Hispanic community. Its mission is to bring prosperity to the Hispanic community through increased homeownership, and its vision is to transform the mortgage market so that the homeownership gap between the Hispanic population and the general population is completely eliminated. Last year, HNMA joined with Deutsche Bank to create the HNMA Funding Company to create a secondary market for Hispanic and Immigrant loans and to develop new products and processes for these underserved markets.

"The Hispanic home-buying market is growing rapidly and at a much faster pace than the general population. However, Hispanic homeownership stands at 47 percent while non-Hispanic (white) ownership is 76 percent,"[1] says Jose Tolosa, chief operating officer, Hispanic National Mortgage Association (HNMA). "That 30 percent differential is not due to income differences between Hispanics and non-Hispanics. It's not due to educational differences between Hispanics and non-Hispanics. And it's not due to the fact that Hispanics live in more urban areas, which traditionally have had lower homeownership rates.

"Market inefficiencies are responsible for this gap," Mr. Tolosa reports. "Therefore, our company is helping lenders address these inefficiencies by using market-oriented practices."

One of the first challenges to overcome: helping traditional lenders understand the segmentation that exists within the Hispanic customer base.

"There's not one Hispanic market," says Mr. Tolosa. "Some 60 percent of Hispanics here today were born in this country. The majority of the other 40 percent were born in Mexico or Central America, with a small number hailing from the Caribbean and South America. This has important implications for how you market to Hispanics."

HNMA, says Mr. Tolosa, breaks down the Hispanic market into four customer segments:

- Mainstream Hispanics – This segment is highly assimilated. English language is dominant. From a credit perspective, this segment is well served by financial institutions, which understand them very well.

The other three segments, however, tend to be underserved and therefore offer the greatest opportunities for lenders.

- Non-Social Security number residents – This segment represents a significantly lower homeownership rate and offers strong opportunities for lenders.
- Non-traditional residents – These Hispanic Americans have Social Security numbers but no credit. This segment is also widely underserved and holds great opportunities.
- Underestimated segment – These consumers have Social Security numbers and credit histories, but their credit histories do not accurately reflect their true creditworthiness.

"Within financial services, there is a wide disparity in the penetration of financial services among each of the segments," Mr. Tolosa explains. "Successfully reaching and converting these last three less-assimilated groups requires new marketing and underwriting skills."

Why is the market underserved?

Three reasons this market is underserved include the following:

- Financial institutions are unable to verify the creditworthiness of these non-traditional borrowers and therefore deny them credit.
- Many financial institutions tend to push these customers into high-cost subprime loans.
- Fraud, at both the loan officer and brokers levels, is prevalent in dealing with these borrowers.

"These factors discriminate against Hispanic homebuyers," Mr. Tolosa explains. "Left unchecked, these unfair practices will continue to exclude viable Hispanic homebuyers and further widen the homeownership and wealth gaps."

One of the major problems is the need for standardization, which tends to penalize groups of potential borrowers who are different. Mr. Tolosa explains, “You put borrowers through industry boxes, and these industry boxes are extremely efficient. They have performed well for many people and have increased homeownership significantly.

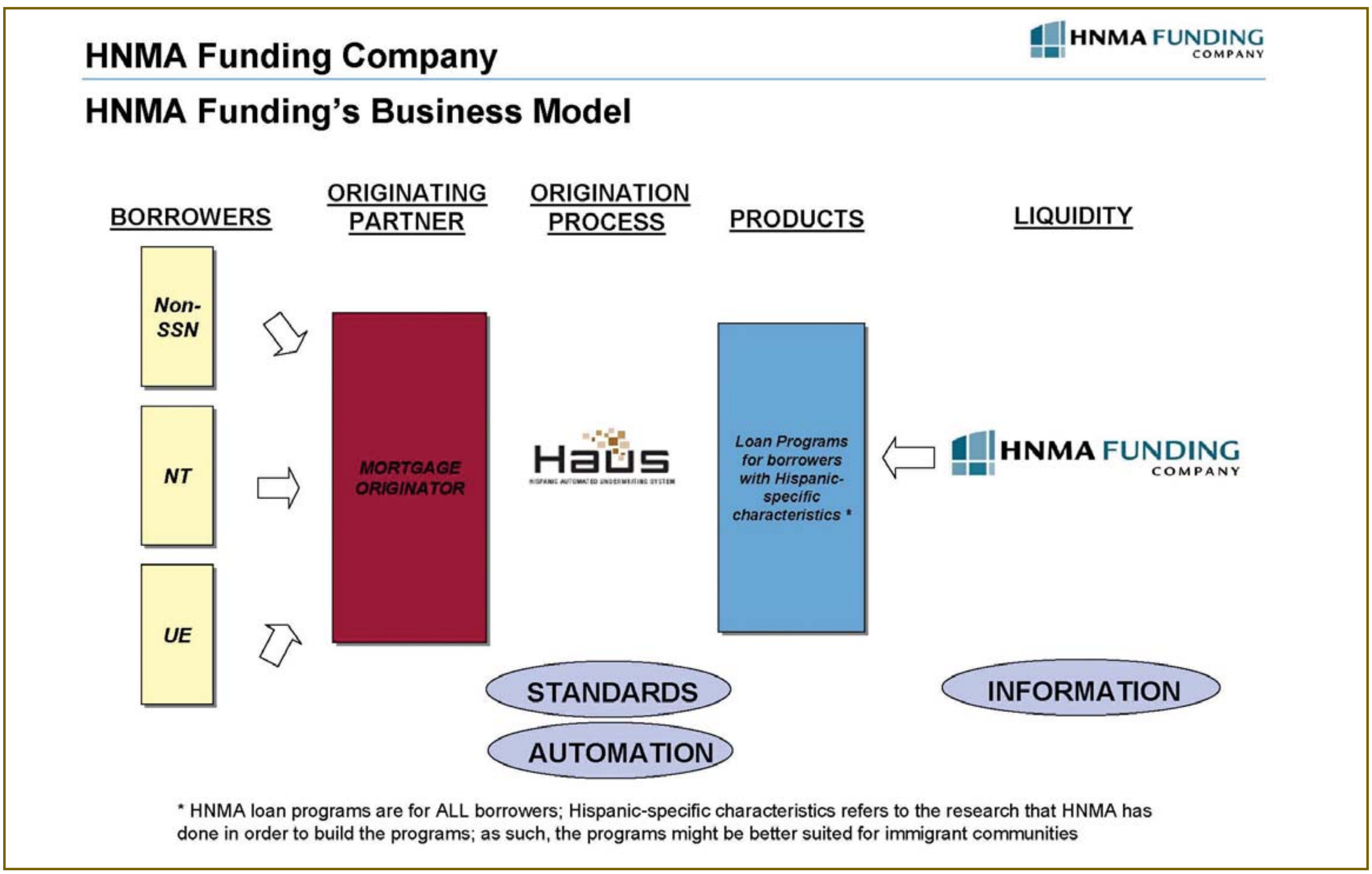
“But what do industry boxes do? They standardize the risk taking, which permits the capital markets to participate in the mortgage market. They accumulate large amounts of information, which then feeds itself and becomes better in order to increase lending later, and they automate the processes. This decreases costs and increases efficiencies, and as efficiencies are gained and markets grow, institutions can do more with the same.

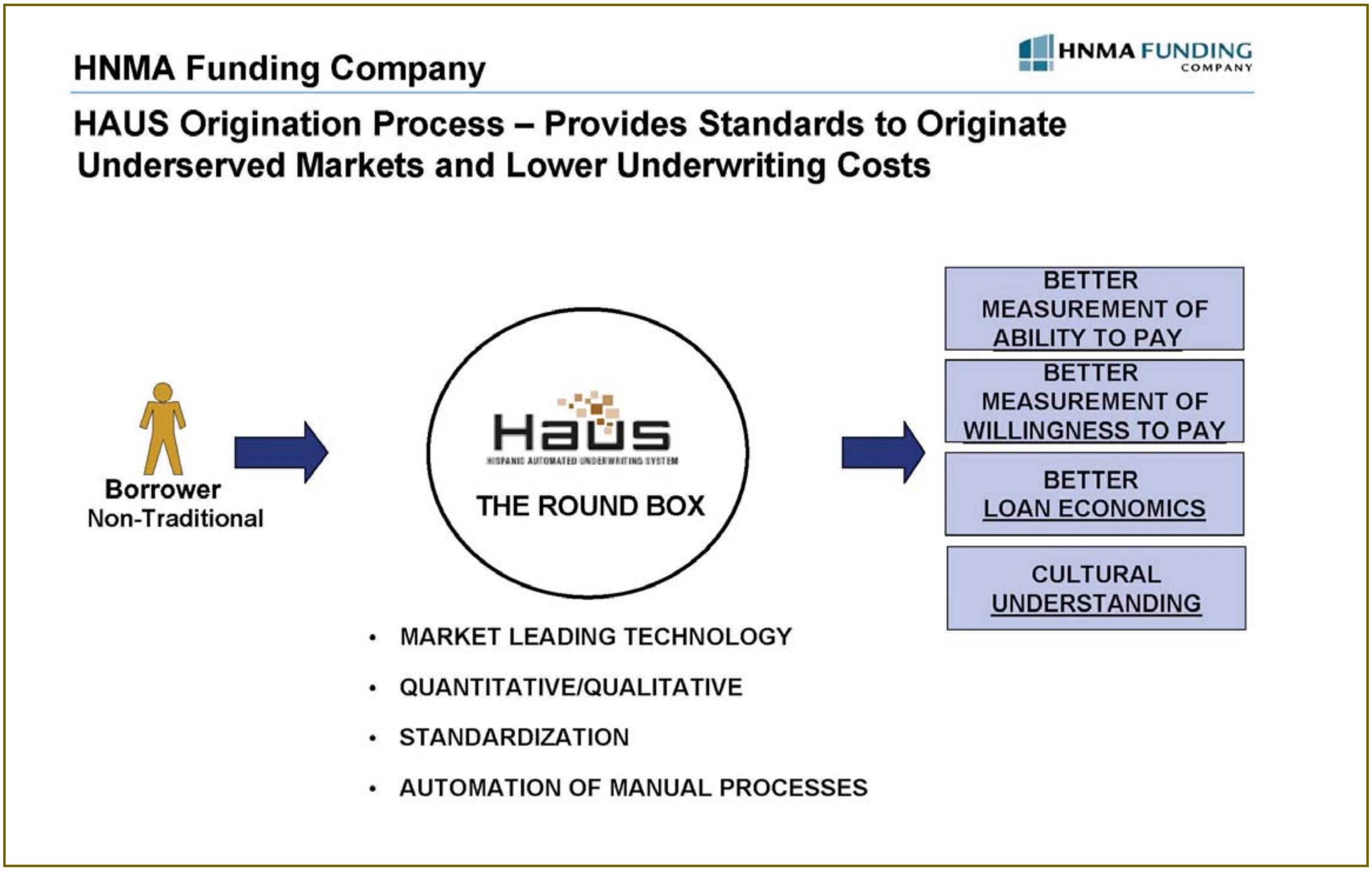
“For underserved markets, though, lenders try to put these borrowers into boxes where they don’t fit. They have different characteristics, so financial institutions either don’t lend to them at all or do it through high-cost, subprime channels.”

HNMA sees its role as both educational and transformational.

“First, if these customers do not fit into our boxes, we should adapt the boxes to the borrower,” Mr. Tolosa says. “Through years of research, we’ve identified ways to accept the characteristics and differently measure creditworthiness of these potential borrowers.

“We also realize that lenders must have liquidity. At HNMA, we are putting our money where our mouths are by buying non-traditional loans and helping to build-out the secondary market for these products. We also developed tools to automate processes and increase origination efficiency. What we are striving to create is a more Hispanic-centric market that enjoys the same levels of strength and efficiency as the traditional secondary market.





"HNMA developed products that adapt themselves to borrowers that have Hispanic-specific characteristics, and we offered them to mortgage banks, credit unions and financial institutions across the US to enable them to serve these segments. We based them on our origination process, the cornerstone of which is an automated underwriting system called HAUS (Hispanic Automatic Underwriting System). This way, we bring standards and automation and gather the information differently to increase our liquidity for these borrowers."

HNMA developed HAUS to improve the following:

- Measurement of ability to pay – We designed HAUS to consider Hispanic-specific characteristics and based it on years of quantitative and qualitative market research.
- Loan economics – HAUS is highly efficient and customized. It is easy to learn and use.
- Cultural understanding – HAUS provides Hispanic-specific training from origination to sales.

New Ways of Thinking

Following are some steps that HNMA recommends financial institutions use to successfully reach out to and engage Hispanic and immigrant customers:

- **Break the cycle of "no information" equals "no approval."**
- **Capture new borrower data.** Only by building a significant body of data will the industry be able to create the new tools that will predict the performance of non-traditional loans.
- **Continuously conduct research and development.** The information cannot be static.
- **Incorporate in-depth quantitative and qualitative analysis about the segments.**
- **Standardize the information and processes.** Process every loan the same way.
- **Rely on deep capital markets experience.** Having a partner with this experience will help tremendously.
- **Get access to alternative sources of capital.** Look for specific, innovative ways to access capital.

HNMA's final message to the market: consider new ways of sharing credit risk.

HNMA Funding is actively buying loans that have been approved using HAUS, which reduces credit risk for lenders and improves liquidity.

"There are two things financial institutions must do to successfully engage these underserved Hispanic consumers: develop new ways of thinking and take some risks," Mr. Tolosa explains. "The opportunities are there, and they are significant for financial institutions that can see them and react quickly enough to capitalize on them."

Endnote:

1 American Housing Survey; HNMA Research

International Lending Opportunities for Baby Boomers and Foreign Nationals

Gonzalo Palafox, Marketing and Strategy Director, Hipotecaria Su Casita

Su Casita is the largest private mortgage institution in Mexico. Founded in 1994, Su Casita has helped more than 400,000 families buy a home, and currently manages the second-largest mortgage portfolio in the country, valued at more than $4 billion dollars. In the last 4 years, Su Casita experienced more than 60 percent growth per year. Su Casita is the primary MBS issuer in Mexico, and currently operates 156 offices throughout Mexico. The company now has three offices in the US, and is planning to open offices in Los Angeles and Houston in the near future.

"Mortgage-backed securities (MBS) are a new concept in Mexico," explains Gonzalo Palafox, Marketing and Strategy Director, Hipotecaria Su Casita. "Just imagine, there was nothing like this in Mexico in 2003 – Hipotecaria Su Casita was the pioneer in this kind of issuance.

"Today, Mexico holds issuances of more than $2 billion. Su Casita issuances total more than $900 million, and we project we'll reach $1 billion in 2007, and the growth continues."

Additionally, Mr. Palafox explained that the Mexican federal government recently made it a priority to promote the construction and financing of six million houses in Mexico over the next six years in an initiative to trigger growth in other economic and production sectors.

Industry analysts predict that government and private funding for housing will maintain this momentum due to the following:

- Greater participation of commercial banks
- Mergers and acquisitions and strategic alliances of banks and other financial groups
- Improvement MBS
- Macroeconomic stability

Bi-National Mortgages: Mexicans in the US

An estimated 11 million Mexicans live in the US. In 2006, money transfers from Latin-American immigrants to their home countries totalled $62.3 billion. In Mexico, money transfers from Mexican immigrants, which reached $23 billion in 2006 and grew 22 percent from the previous year, are the second largest source of income (after oil proceeds).[1]

Hipotecaria Su Casita created a program – Su Casita en Mexico – to contribute to the social and economic development for immigrants. The program gives immigrants the opportunity to build a family asset, provides a credit history for future credit bureau reference and charges no additional fees for money transfers.

The company instituted "Su Casita USA" to operate and promote the program in the US. It works as a broker for loan origination and provides individual assessments for all Mexican immigrants.

"By helping Mexican immigrants own a home to go back to in Mexico, the program instils a sense of belonging among immigrants, even if they never actually move back to Mexico," Mr. Palafox explains. "They feel confident that the money they send back home is destined for long-term investment, and that they are applying it directly to their future financial security while helping to stimulate and support local economies."

Mr. Palafox said that additional program benefits include the following:

- Su Casita en Mexico allows for loan origination and monthly payments to be made directly in the US.
- The program offers the option to purchase new or previously owned housing in Mexico.

"Su Casita en Mexico has financed more than 1,300 mortgage loans, an increase of 370 percent over the last year," Mr. Palafox points out. "So far, the number is small, but the opportunity this program presents is enormous, as evidenced by the tremendous growth rate."

Once the loan is closed, Su Casita also services the loan. The loan is closed under Mexican laws, conditions and operating rules, which are the same for every loan from borrowers in Mexican territory. Su Casita manages the loans with its primary servicing system and process, along with the entire Su Casita portfolio. The key differences are the follow-up to receipt of payment and collection processes: these must take place in coordination with Su Casita's offices in Mexico and the US.

Customers have two payment options:

- Send money to their relatives in Mexico so they can make the payment in Su Casita's network (branches or banks). This absorbs the cost of the remittance.
- Make payments in the US directly to Su Casita's offices. Su Casita then applies the payment in the servicing system with no additional charges.

"To maintain growth, we must form alliances with US financial institutions to use their network to receive payments," Mr. Palafox explains. "This increases the options available to borrowers at the branches."

"For this program to succeed, we must build customer confidence. When one customer feels he or she is getting a good benefit from the program, then that customer will send us 10 or 20 more customers. Generating positive word-of-mouth is one of the most important ways we can promote interest in the program."

Bi-National Mortgages: Vacation and Investment Homes in Mexico

Tourism investment in homes in Mexico is growing tremendously and has become a $3.6 billion market for residential and vacation developments. Tourist-focused housing developments have grown 40 percent per year over the last five years. Estimated sales for 2007 are between $1.5 billion and $2 billion.[2]

"American baby boomers are an important segment of these home-buyers," Mr. Palafox said. "Approximately 80 million baby boomers will retire in the next 20 years, and they will be looking for vacation and investment homes in locations with secure infrastructures, readily available health services and affordable costs of living.[3]

"In 2006, more than 4,000 vacation homes were sold in Mexico to foreign citizens (mainly Americans), and analysts predict that by 2010, demand will grow to 20,000 – the potential for continued growth is tremendous."

Puerto Peñasco, close to the Baja California, is a prime location for potential growth of vacation and investment housing sales. For example, home sales in Puerto Peñasco increased 953 percent in the last four years[4] and there are more than 30 housing developments currently being developed.

"Puerto Peñasco is not the only area to experience this explosion in vacation and investment home sales," Mr. Palafox said. "We see many additional locations that hold this growth opportunity, and we attribute this in part to the aging baby boomer population.

"By and large, financing programs are not taking full advantage of these opportunities. Mexican financial institutions dispense just 20 percent of mortgage loans on these vacation/retirement and investment homes, with loan amounts ranging from $100,000 to $1.5 million. Most of these purchases are in cash or through equity loans."

Given these facts, Su Casita is exploring the possibility of offering American citizens loan options to purchase Mexican retirement or investment homes using Su Casita's broker network and branches in the US for the origination and servicing processes.

"To succeed in this market, Mexican lenders must help the foreign purchaser understand the bi-national mortgage process," Mr. Palafox said. "We must educate them about using a bank trust, must explain to them why they have to fill out 10-page applications, and explain why the process can take up to two months rather than the two weeks they are accustomed to. We must change our processes and train our staff to better service American citizens, and to do this, we must have effective servicing processes in place."

Endnotes:

1 Inter-American Development Bank (BID)

2 Softec and AMPI

3 Softec and AMPI

4 Su Casita internal research

Taking an Emerging Markets Strategy to the Next Level

Roberto Hernandez, Manager, PricewaterhouseCoopers and Martin Touhey, Senior Manager, PricewaterhouseCoopers

"A basic misconception about emerging markets is that they are so unique that they do not require a defined plan," explains Roberto Hernandez, a manager in PricewaterhouseCoopers' Consumer Finance group. "This misconception is a common pitfall consumer finance companies must avoid as they develop plans to serve these segments."

To best serve a multicultural market, it is critical to understand the consumers within it and make sure the company's strategic plan is aligned with the market's needs. Companies must identify the specific product and service demands of the emerging market segments that they want to target.

"Do not start from zero," Mr. Hernandez recommends. "Identify companies in consumer finance and other industries that have already targeted these emerging markets and learn from their successes and failures."

"The best examples are wire transfer companies, media and entertainment companies and consumer products companies. Perhaps not all of their business strategies apply to the financial services industry, but these companies have effectively targeted the multicultural emerging markets for decades, and we can learn from their best practices."

Capabilities and Investments

Once a company identifies its target segment, it must assess its existing capabilities and understand the investments needed to ensure success. A company must ensure that it has the necessary staffing, infrastructure, vendors and funding channels, and that it meets applicable regulatory requirements.

"Before you invest marketing efforts targeting these consumers, confirm that your emerging market strategy fits your company's strategic plans around outsourcing or offshoring," Mr. Hernandez explains. "Also consider the company's personal services offering versus automated services. Emerging market consumers tend to rely on personal services over ATM and online transactions, so companies should reconsider plans to target these customers if most of their business is automated."

"A successful emerging markets strategic plan requires investments that go beyond translating documents or hiring multilingual customer service representatives. While these are good first steps, lenders must also recognize that emerging market strategies require long-term commitment and ensure that executive management buys into the strategy from the start," Mr. Hernandez explains.

Lenders can follow three logical options to implement an emerging market strategy – organic growth, alliances and acquisitions.

Organic growth – Implementing an emerging market strategy requires infrastructure changes. Use a pilot program. Be sure executive management understands the opportunities and risks and supports the strategy.

Alliances and acquisitions – Do not limit your options to domestic consumer finance companies. Consider international companies. Examine each potential company's workforce, infrastructure, risks and strategic plan.

Avoid These Emerging Market Strategy Pitfalls

Martin Touhey, a senior manager at PricewaterhouseCoopers, advises consumer finance executives to avoid the following common pitfalls that can threaten the success of emerging market strategies.

Failing to integrate an emerging/multicultural strategy throughout the company – Ensure that the various groups within your organization share a common strategy, communication plan and performance targets when they pursue pieces of the same market.

Failing to take a lifecycle approach – If your company invests in front-end infrastructure, you must then implement required changes throughout the company. Consider the approach (start to finish), including the underlying changes that you must make throughout the company (e.g., services, products, systems, compliance, risks).

Focusing solely on current markets – Companies must also consider emerging and future demographic changes.

Treating the program as a marketing campaign – Treat this program as a corporate strategic decision to pursue and enter a market – with specific targets, performance measures, and an acceptable return on investment – just as you would treat any other strategy or product offering.

Failing to realize the program requires additional investments besides advertising

Treating an emerging/multicultural strategy solely as a Community Reinvestment Act (CRA) initiative – Given the size, spending power and potential growth of these markets, programs specifically targeted to the needs of emerging market consumers represent far greater and more complex strategies and opportunities than CRA initiatives.

Treating emerging/multicultural markets similar to the subprime market – Significant differences exist between the two markets. Treating the emerging/multicultural markets as subprime markets short-changes the individuals in the emerging market and denies you an opportunity to provide services to a new set of consumers.

Failing to understand when it makes sense to develop expertise in-house versus partnering with a vendor or engaging a strategic partner – Partnering might be the best options when you don't understand all of the operational risks, legal risks, etc.

Following your competitors blindly without a defined strategy

Failing to understand the market you are pursuing – Avoid making incorrect assumptions about the education level, immigration status, preferred service delivery methods, etc., of the individuals within a particular market.

Failing to understand and manage risk – Marketers must understand and safeguard against potential operational, legal, regulatory and reputation risks.

Failing to gain executive commitment for your emerging/multicultural market strategy

Retail Banking Strategy: A Case Study

Jorge G. Möller, VP Multicultural Markets Manager, BB&T

BB&T: Driving Internal and External Awareness

BB&T Corporation, headquartered in Winston-Salem, NC, is a fast-growing, highly profitable financial holding company with $121.7 billion in assets. Its bank subsidiaries operate more than 1,450 financial centers in the Carolinas, Virginia, West Virginia, Kentucky, Georgia, Maryland, Tennessee, Florida, Alabama, Indiana and Washington, DC.

"BB&T has a community bank strategy: Our vision is to be the bank of choice for multicultural customers looking for financial opportunities in the communities we serve," states Jorge G. Möller, VP Multicultural Markets Manager, BB&T. "The opportunity is enormous, but institutions hoping to reach these markets must be appropriately funded and develop a strategy that aligns within the overall strategy of the organization.

"To develop our multicultural market strategy, BB&T first assessed all the facets that deliver a positive customer experience. We look for the right staff and support them with the appropriate tools, information and training and continue to develop the necessary channels and their support.

"Community outreach is critical as well, along with effective advertising, marketing and public relations – all of which BB&T must use to develop recognition and trust with these consumers."

To better serve the customers within these markets, BB&T understands the relations and needs among three market subsegments: Hispanics who exclusively speak English, bilingual Hispanics and Hispanics who exclusively speak Spanish.

"Members of each subsegment have diverse needs and levels of trust, so understanding these groups allows us to determine their specific product and service requirements and the most appropriate channels to best serve them," Mr. Möller explains. "Research also indicates that they'd prefer an option that would allow them to self-select the language – English or Spanish – we should use to communicate with them.

"We also know that by providing a language option across the various customer communication channels, we can learn more about our customers' wants and needs, which makes the information more valuable."

BB&T also seeks to have best in class tactics for corporate (internal) and community (external) execution of its multicultural markets strategy.

"To support the program's corporate execution, it is critical to provide appropriate initiative funding, fill product and service gaps and drive internal corporate relationships," Mr. Möller explains. "We also examine a number of elements – community programs and events, local talent engagement, leadership, service and fulfilment – to ensure that our external execution is successful."

It is also critical to drive corporate relationships with national organizations – the US Hispanic Chamber of Commerce, the NAACP, Hispanic Women in Business – which creates high visibility nationally and locally. It would be very difficult to hire an all-bilingual staff, so BB&T created a training program that teaches its non-Spanish speakers about Hispanic culture and attitudes so that they have a better understanding of that market. Additionally, the company sends its Hispanic managers and supervisors into the communities where they live and work to show Hispanic consumers that Hispanic leadership exists in the company at leadership levels.

Over the last few years, BB&T developed a series of videotapes and CDs with short soap-opera-style stories created to educate and inform immigrants about various subjects related to life and work in the United States.

The series traces the experiences of Juan and Maria Perez, fictional immigrants who have recently come to the United States. One of the people they meet is a Mexican woman named Beatriz "BiBi" Bienvenido Torres. BiBi portrays a respected member of the Hispanic community, a long-time US resident and a BB&T "employee." The tapes teach immigrants about different scenarios they might encounter in the United States. The series presents myriad topics – housing and homeownership, healthcare, insurance, the legal system – not necessarily tied to banking services. BB&T distributes the videotapes and CDs to community organizations through its branches.

Other BB&T community outreach initiatives include:

- BB&T at work – BB&T partners with organizations with sizable emerging market staffs to provide them with discounted financial services.
- BB&T e-Bus – The company created a modern, mobile financial classroom staffed by mortgage lending professionals and retail bankers to create affordable homeownership opportunities for low-income minority and new immigrant families.
- Tu Conexión – BB&T provides self-study tools that teach basic Spanish terminology to non-Spanish-speaking employees.

“We’ve learned that to be successful in these markets, it is critical to gain the consumers’ trust as a good community citizen,” Mr. Möller explains. “But it’s not enough to simply gain their trust. We believe that our strength as a bank is as strong as the communities that we serve.”

Alternative Credit Scores: The New Realities

Stacy Millhouse, Global Scoring Solutions, Fair Isaac Corporation; Michael Nathans, Chairman and Chief Development Officer, PRBC and Shay Tengan, Vice President, First American CREDCO

FICO Expansion Scores

"To successfully approach underserved markets, two elements are critical: a research-supported strategy and a collective corporate vision," explains Stacy Millhouse, Global Scoring Solutions, Fair Isaac Corporation. "When you approach these markets with a new product, you must have your compliance department, marketing, risk management and finance departments all on board, and everyone must work collectively to follow the established strategy."

According to Tower Group Research, of the 210 million adults in the United States, 50 million have little or no credit history at the major credit bureaus and, consequently, no FICO score. As a result, traditional credit programs that rely heavily on bureau data and scores often exclude these "credit-underserved" individuals – immigrants, college students/young adults, recently divorced/widowed and other segments that culturally do not use credit.

To address this challenge and bring the power of a FICO credit risk score to the underserved market, Fair Isaac created a new credit risk score – the FICO expansion score – based on alternative credit data. The system assigns credit scores to individuals who don't have adequate information at the major credit bureaus needed to create a classic FICO score. The system is straightforward and easy for lenders and loan officers to understand because it uses the same score range and similar scaling as classic FICO scores.

Additionally, Fair Isaac provides up to five reason statements with every score to indicate why the consumer failed to score higher.

How Does Fair Isaac Create this Score?

"Fair Isaac works with national data warehouses that collect data, both positive and negative," Mr. Millhouse explains. "We compile information on consumers' demand deposit (DDA) and checking accounts, utilities and cell phone records, membership clubs, public records (liens, judgments, bankruptcies), book and record clubs and even gym memberships. Fair Isaac then examines these elements and puts them into a nice, neat package, which is similar to a classic FICO score."

Are These Scores Reliable Indicators?

To test the system, Fair Isaac asked major lenders in the credit card, automobile finance and mortgage industries to participate in a validation study designed to accomplish the following:

- Further demonstrate FICO expansion score's ability to score the majority of the targeted population
- Continue to demonstrate FICO expansion score's ability to distribute the targeted population across the risk spectrum
- Provide clear evidence of FICO expansion score's ability to rank order risk within the targeted populations

Mr. Millhouse says that study results are exciting: "We are very confident, based on this study, that the FICO expansion scores are similar to FICO scores and are highly predictive indicators of loan repayment reliability. This is an innovative tool that will allow lenders to confidently expand into previously untapped, underserved market segments."

Providing an Equal Credit Opportunity

"Financial education materials advise consumers to pay their bills on time to build good credit. However, many companies do not report credit-like, recurring bill payments – rent, private mortgages, utilities, phone, cable, insurance premiums – to traditional credit bureaus," explains Michael Nathans, chairman and chief development officer, Payment Reporting Builds Credit (PRBC). "PRBC can track a consumer's financial education and history of on-time bill payments, and lenders can factor this information into their credit application acceptance and pricing decisions."

Mr. Nathans goes on to explain some of the challenges of using bill payment data:

- **Data availability** – Credit reporting is entirely voluntary in the United States; landlords, private lenders, utilities, telecoms, etc., do not report to a credit bureau, and they are not required by law to do so.
- **Effort, expertise and cost** – Manual verification of nonreported trade lines is time consuming and requires extra staff/training.
- **Data quality and secondary market acceptance** – No uniform verification standards have existed; there is a perceived conflict of interest when the verifier is not an arms-length third party.

"As a consumer reporting agency and FCRA-compliant repository for rental and other recurring bill-payment data, PRBC's purpose is to provide solutions to these challenges for both consumers and lenders," Mr. Nathans explains. "We provide a new means for consumers to demonstrate that they pay their bills on time and a way for lenders to access this information electronically, just as they would from any other credit bureau.

"Simultaneously, we provide financial institutions with the necessary tools to help their customers acquire credit for paying their bills on time by using the institutions' bill-payment services to pay their bills and have their payment information reported to PRBC electronically.

PRBC also developed a process by which consumers self-report their historical bill payment data by creating their own consumer credit file using the PRBC web site and order a verification that is performed to standards that meet and exceed the requirements of the GSEs (Government-Sponsored Enterprises) and FHA (Federal Housing Administration). Consumers may add up to three years of historical trade lines and payments to their PRBC consumer credit files and order PRBC verifications online. They are able to access their PRBC files at any time free of charge using a secure Internet connection.

As a demonstration of how financial institutions can assist their consumers to build credit using the institution's online bill-payment service, PRBC partnered with CheckFree, the largest processor of online bill payments for banks and credit unions. The system automatically reports payments to a consumer's PRBC credit file when the consumer opts in.

Customers can use their PRBC bill-payment data history to supplement an existing credit bureau file, and since PRBC is a credit bureau, customers can also use their PRBC file in lieu of a credit report from one of the three traditionally used credit report agencies if no information about them exists in those repositories.

PRBC aggregates and verifies consumer and small business owner bill-payment data from multiple sources and stores that data in a secure repository that can be updated monthly. The company also scores and summarizes data for use in automated underwriting systems and reports data and scores in real time via distribution channels covering 120,000 lending officers.

"PRBC's system is particularly helpful to emerging market consumers, who typically lack a traditional credit history," explains Mr. Nathans. "These consumers can now demonstrate that they've paid their bills on time going back three years, thereby proving their willingness and ability to pay their bills and meet their financial obligations on time. Our system helps open up a significant new market for mortgage and other lenders by helping credit-underserved consumers provide evidence and documentation of their creditworthiness, which is exactly the information lenders seek to accurately assess loan applicants."

Moving Underserved Markets to Mainstream Support

"Credit-underserved markets in the US represent an outstanding growth opportunity for those financial institutions that are able to reach those customers," explains Shay Tengan, vice president, First American CREDCO. "Anthem, which stands for assisting nontraditional homeowners in emerging markets, is the credit reporting service First American CREDCO created to help lenders expand their business, reduce risk, standardize and streamline processes and serve these customers.

"Borrowers can use Anthem for any loan program supporting nontraditional or alternative credit. It creates a bridge for nontraditional borrowers to qualify for more traditional loans."

It is time-consuming and costly for lenders to process applicants who possess little or no credit history. Internal manpower costs typically exceed $150 per applicant to establish and research each consumer's alternative credit history, and without adequate resources, lenders often unintentionally assume additional risk.

"Using an objective, third-party service provider to gather borrower information and ensure its verification provides lenders with a cost-effective approach to serve this market," Mr. Tengan explains. "Anthem also addresses all necessary regulatory disclosures, so the program protects participating lenders from FCRA-related and other compliance issues. Additionally, Anthem's rigorous verification standards and objective third-party data compilation help reduce fraud.

"First American provides the lender with the verification method used to gather borrower information, and can fully disclose the process used to create the Anthem report and score. We offer that information to the lender in the form of documentation."

To calculate a customer score, Anthem uses all applicant data, approved and widely accepted supplemental nontraditional data – which First American processors verify – as well as traditional report information. The company also considers the borrower's types of credit, the length of time loans are open and payment history, as well as utility payments, nondeductible insurance payments and credit histories from nonreporting entities.

"First American CREDCO and First American are uniquely positioned to help move the underserved market to more mainstream support," Mr. Tengan explains. "To do this, we must take prudent steps to ensure that as lenders target this market, they can make prudent loan decisions. First American ensures that lenders have the most up-to-date data to mitigate risks and enable them to make those prudent loan decisions."

Contacts

PricewaterhouseCoopers Team

Roberto Hernandez
Manager
PricewaterhouseCoopers LLP
2001 Ross Avenue, Suite 1800
Dallas, TX 75201
(323) 219-0027
roberto.g.hernandez@us.pwc.com

Martin Touhey
Senior Manager
PricewaterhouseCoopers LLP
125 High Street
Boston, MA 02110
(206) 790-8751
martin.e.touhey@us.pwc.com

Michael Stork
Partner
PricewaterhouseCoopers LLP
225 South Sixth Street Suite 1400
Minneapolis, MN 55402
(612) 596-6407
michael.stork@us.pwc.com

Our Guest Panelists

Stacy Millhouse
Global Scoring Solutions
Fair Isaac Corporation
10 Corporate Circle, Suite 200
New Castle, DE 19720
302-324-7945
stacymillhouse@fairisaac.com
www.fairisaac.com

Jorge G. Möller
VP Multicultural Markets Manager
BB&T Co.
200 West 2nd Street, 12th Floor
Winston-Salem, NC 27101
336.733.2482
JMoller@BBandT.com

Michael Nathans
Chairman & Chief Development Officer
PRBC
93 Main Street, Suite 400
Annapolis, Maryland 21401
443-569-8042
mgnathans@prbc.com
www.prbc.com

Lorna Neill
K&L Gates
1601 K Street, NW
Washington, DC 20006
(202) 778-9216
lorna.neill@klgates.com

Gonzalo Palafox
Business Development Director
Hipotecaria Su Casita
Av. Insurgentes Sur #954
Mexico City, DF 03100
+52(55) 5340-3401
Gpalafox@sucasita.com.mx

G. Shay Tengan
Vice President
First American CREDCO
12395 First American Way
Poway, CA 92064
(619) 938-7404
stengan@firstam.com

Jose Tolosa
Chief Operating Officer
HNMA Funding Company, LLC
401 B Street, Suite 625
San Diego, CA 92101
619-243-0244
jose.tolosa@hnma.com
www.hnma.com

Rick Troutman
President
HispanicLending.com
1800 Justin Road
Highland Village, Texas 75077
972-898-3879
Rick@HispanicLending.com

www.pwc.com/consumerfinance