

It's Smart Business to Reach Diverse Borrowers

As demographics shift, originators should seek to connect with fast-growing populations

By L. Maria Vergara

As interest rates rise and the number of refinances slow, mortgage companies are eager to replace lost revenue. To improve margins, some companies are considering drastic cost cutting or placing projects on hold. Others are taking a different approach and, rather than starving the source of potential new business, they are instead feeding the top of the funnel.

Consider doing the latter with the one of biggest growth-market opportunities in housing — reaching diverse borrowers. A working paper published in 2016 by Harvard University's Joint Center for Housing Studies hits on this point. According to the report, Hispanic and non-Hispanic blacks, Asians and other minorities will make up the majority of household growth between 2015 and 2025. "Hispanics, which are projected to increase by 4.6 million households between 2015 and 2025, will grow the most," according to the report.

If minority markets were once synonymous with alternative lending, then based on current demographic changes, the majority of new household growth will be alternative. Perhaps a better way of looking at this is that diverse markets are not alternative but rather are now mainstream.

Where to begin

With data this compelling, why wouldn't a mortgage company or an originator aggressively seek to expand business in this area when there seemingly aren't many other growth opportunities? Diverse markets are now bolstered by enormous demographic data to be considered the new norm.

There are two main reasons that seem to stifle efforts to pursue an earnest strategy targeting diverse markets. First, companies and originators simply aren't aware of the data. Aside from the Harvard study, The National Association of Hispanic Real Estate Professionals perhaps has the most compelling statistics that strengthen the business case for the Latino market.

Latinos accounted for almost a third of all new household formations in 2017. Latinos also were the only segment whose homeownership rates increased the last three years in a row. In fact, Latinos accounted for 59 percent of total homeownership growth in the U.S. since 2012.

The second reason that keeps organizations from moving ahead with a strategy is that they simply don't know where to begin. No doubt it can be overwhelming or even confusing at times. There is no one way to do it, but there are some easy ways to review your strategy.

Examine your product mix, for example, and make sure it could appeal to this burgeoning market. Do an inventory of your marketing and outreach efforts. Conduct a talent review for the diversity of your workforce. Assess your branch locations and market demographics.

Real-world examples

Best practices aren't only learned from the largest of the large financial institutions or banks. In fact, many other lenders have made pursuing diverse borrowers a core business strategy and have experienced favorable and profitable results.

Equity Prime Mortgage, headquartered in Atlanta but serving clients across the country, started an aggressive Latino market strategy last year. Eddy Perez, co-founder and president, says, "What was once known as a niche market is now 'the market.'" He and his senior leadership team chose to make it a strategic initiative entering into 2018. They have committed time and resources to understanding the demographics in each market they serve, studying operational metrics and industry benchmarks so they can identify where they need to focus their recruiting and marketing.

"We know the markets where we excel and now know what to replicate, and we also know when to try something different," Perez said. One of these different strategies was to take a chance on a nontraditional office locale. Late last year, Equity Prime opened its doors in a Latino shopping center called Plaza Las Americas. The company staffed this branch with Spanish-speaking loan officers, and the company has deepened its community outreach in the market.

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Another great example of a lender choosing to make the Latino market a core business strategy is Waterstone Mortgage. Headquartered in Pewaukee, Wisconsin, Waterstone Mortgage saw the studies like the ones from Harvard and The National Association of Hispanic Real Estate Professionals. Waterstone decided there was enough data to make changes to their business development strategy.

Among other strategic moves, Waterstone invested in new branding to better connect with the Latino market, created its own library of photo and video images using the company's diverse loan officers and real estate partners, and began social media posts and a blog to appeal to this market. "It's a process, but you have to start somewhere, and we're very happy with the progress we're making," said Lisa Fenske, senior vice president of marketing and communications at Waterstone.

There's a ripple effect to this type of activity and approach. Sure, every company wants to grab the attention of the borrower but recruits also are looking closely at how a company approaches markets that they identify with. A diverse candidate will be far more likely to believe that the company cares if they see that it has chosen to invest time and money into doing the right thing. Real estate partners also will see the earnest efforts and reward that commitment.



There are choices to be made in weathering a slower market. One choice is to slow down activities and cut costs. Another is to actively pursue new market opportunities that promise to be prime candidates for the services provided by our industry. Choose wisely. ■