



MBA's 93rd ANNUAL CONVENTION & EXPO 2006
OCTOBER 22 • 25 HYATT REGENCY • CHICAGO

Reaching Untapped Markets:

**Providing Prime Loans to Borrowers
Without Traditional Credit Histories**

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President

The First American Corporation



First American

Reaching Untapped Markets:

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Today's Discussions

Mary Lee Widener, NHSA

Success through collaboration, affordability, borrower support

Danny Gardner, CitiMortgage Inc.

Tools that bridge the homeownership gap

Brian Cosgrove, Just Price Solutions

New models that efficiently fund prime loans

Mercy Jimenez, Fannie Mae

Moving nontraditional credit into the mainstream

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Present Market Conditions

- 15 million first-time home buyers between now and 2010
- 65% of these first-time home buyers are ethnic minorities
- A large gap in the rate of homeownership exists:
50% of Ethnic Minorities vs. 75% of White Non-Hispanic
- Traditional underwriting has restricted market growth



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Modern Myths - Holding Us Back

- “Thin-credit/no-credit consumer segment always calls for non-prime pricing”
- “Minority, new-immigrant, and LMI segments have universally higher default rates”
- “Accurately assessing risk in this market is difficult or impossible”
- “Originating and fulfilling these loans in this segment is not profitable”



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Significant Growth Opportunity

- Closing the minority homeownership gap creates 6.75 million incremental transactions
- 20% of Americans lack credit files that can be scored; reaching just 3% of this group could generate \$2.3 billion in mortgage market
- Moving programs in this segment from “Nice to Have” to “Must Have” is essential

How can we take advantage of these opportunities?

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Look To An Enlightened View

- **Supplements to traditional credit information** can *effectively* predict borrowers' likelihood to repay their mortgage on time
- **Niche loan products** can fit *particular* borrower characteristics
- **New business models** *lower* loan origination/fulfillment costs
- **Strategically focused CRA/community development funds** can *increase* affordable housing stock
- **Brand loyalty** in minority and new immigrant consumer markets offer higher success rates for cross-sell strategies



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From Working In Isolation To Collaboration

- Government
- Private Industry
- Large and Small Lenders
- GSEs
- Non-profit and Consumer Advocacy Groups
- Wall Street
- Business Data and Settlement Service Providers

Working together “on purpose” will produce the market breakthrough.

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Pathways To Success For Emerging Markets Borrowers

Collaboration • Affordability • Borrower Support Systems

Mary Lee Widener

President and Chief Executive Officer

Neighborhood Housing Services of America





Collaboration

GOVERNMENT'S ROLE:

- Increase affordable housing zoning to boost supply
- Streamline regulatory approvals at state/local levels
- Increase matching grants for down payment assistance
- Offer tax incentives to innovate responsible loan programs



Collaboration

COMMUNITY, INDIVIDUAL – *AND OUR* – ROLES:

- Plan at the community level - stop nimbyism, increase supply
- Work in tandem with grantors and nonprofit organizations
- Listen to borrower needs to create safe and sound housing finance solutions
- Educate consumers about the process and the opportunities



Collaboration

Congress wants to assure economic growth, smooth real estate cycles.

Mortgage lenders want to fund more loans.

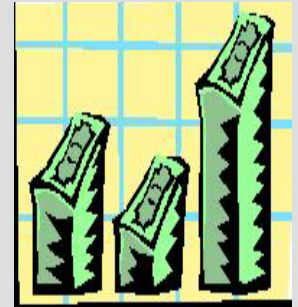
People want the opportunity to buy homes.

Government, industry, and consumer interests are aligned!



Affordability

- Borrowers tend to be at or below 80% of area media income
- Financing opportunities must be at the ability of the borrower to repay over the long term
- Tools include down payment assistance, deferred loans, and CRA programs





Borrower Support Systems

- Loan servicing policies can be responsive to life events, to the benefit of all parties
- Front-end counseling with early disclosures of the "real deal" are important
- Availability of counseling and work-out assistance over the life of the loan achieve measurable results in preventing foreclosures

Collaboration • Affordability • Borrower Support Systems

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Tools That Bridge The Homeownership Gap

A Benefit to Buyers *and* Lenders

Danny Gardner

National Director of Emerging Markets
CitiMortgage, Inc.

citi mortgage®



Lender Objections and Barriers

Financial

- Originator Profit Potential
- Investor Perceived Risk

Process

- Process Inefficiencies
- Infrastructure Enhancements and Cost

Outreach

- Lack of Understanding of Market Segment
- Lack of In-neighborhood Presence





Tools To Bridge The Gap

Industry Resources

- MBAA (Diversity Committee)
- Ethnic Organizations (AREAA, NAHREP, NCLR, NAACP, etc.)
- GSEs, Mortgage Insurance Companies, etc.



Personnel Who Reflect Customer Across Organization

Innovative Technologies

Referrals from Community Partners

- Educational Programs
- Community Awareness Programs on Credit, Homeownership, Predatory Lending, etc.
- Revitalization Programs



Lender Benefits

Regulatory Performance

- Fair Lending
- CRA

Profit Potential

- Servicing Value
- Increased Customer Loyalty
- Referrals
- Cross-sell Opportunity: Banking, Credit Cards, etc.



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How To Manufacture An Affordable Loan For A Low-income Borrower

Brian Cosgrove

President

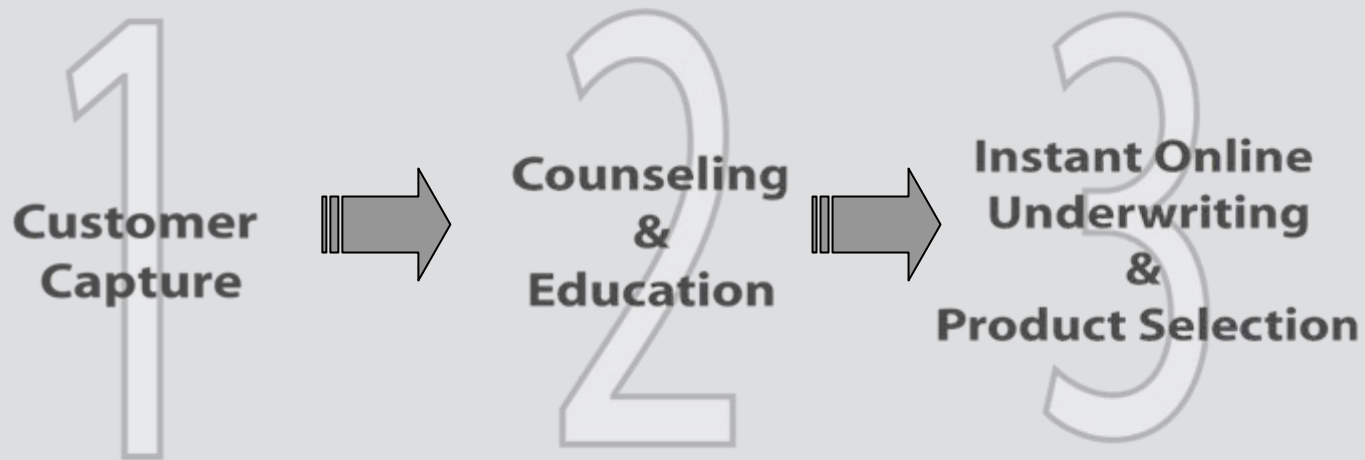
Just Price Solutions



Just Price
EMERGING MARKET SOLUTIONS

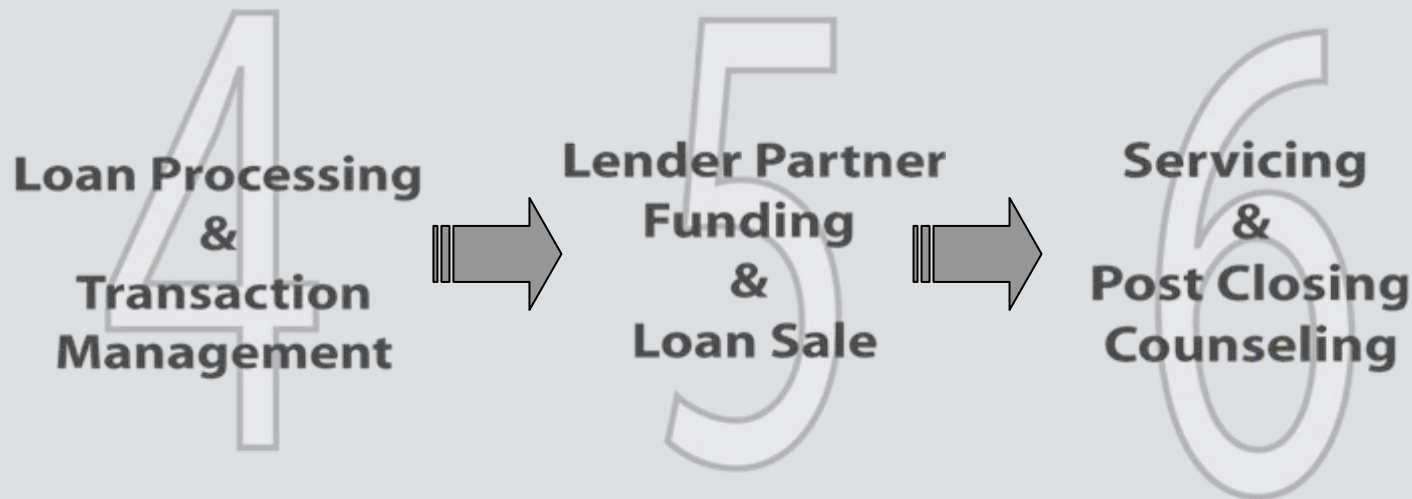


Disaggregating of the capture, manufacturing, funding & servicing processes





Disaggregating of the capture, manufacturing, funding & servicing processes



How To Manufacture An Affordable Loan



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Moving Nontraditional Credit into the Mainstream

Mercy Jiménez

Senior Vice President

FannieMae

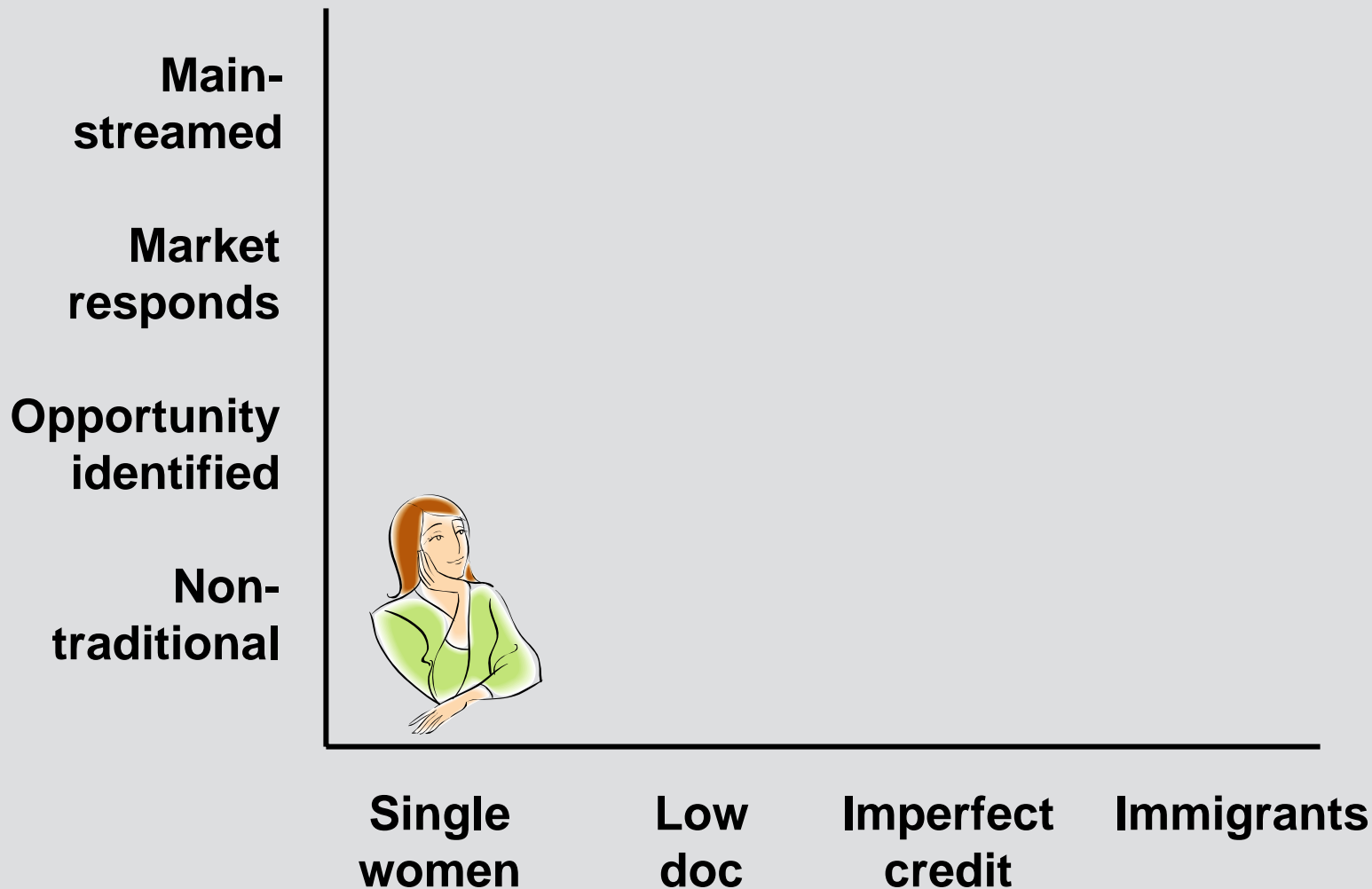




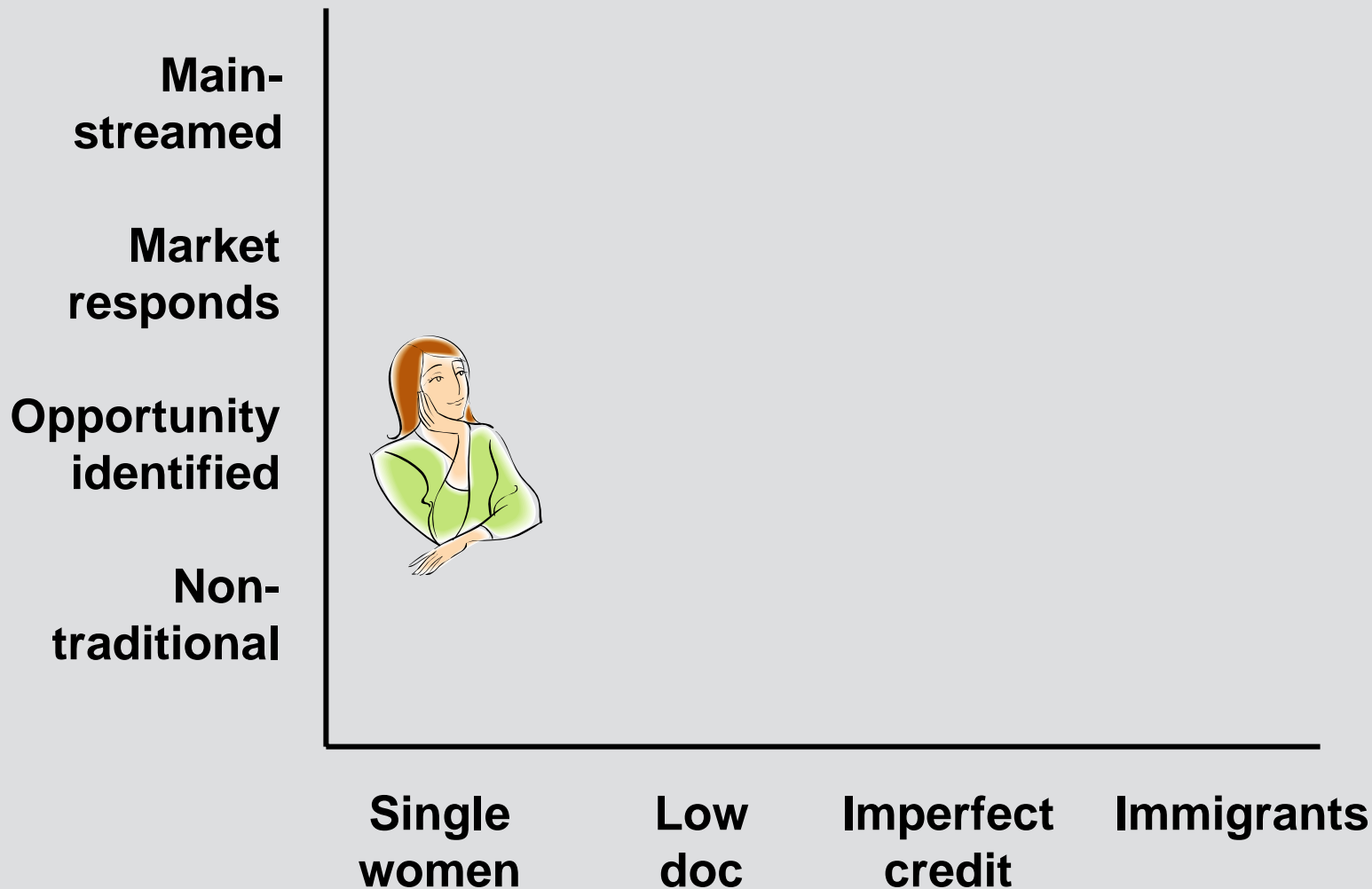
Nontraditional credit – a moving target!



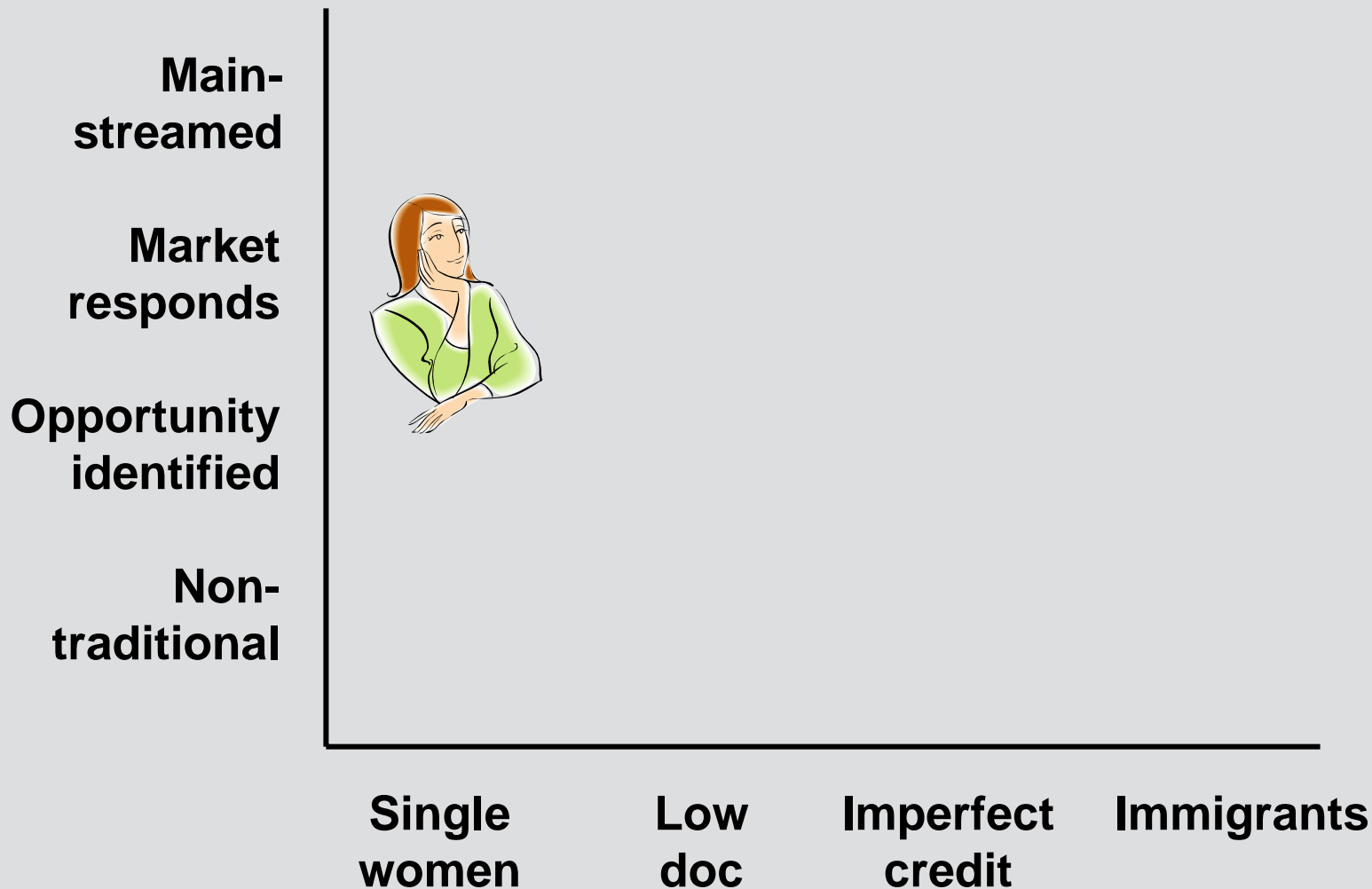
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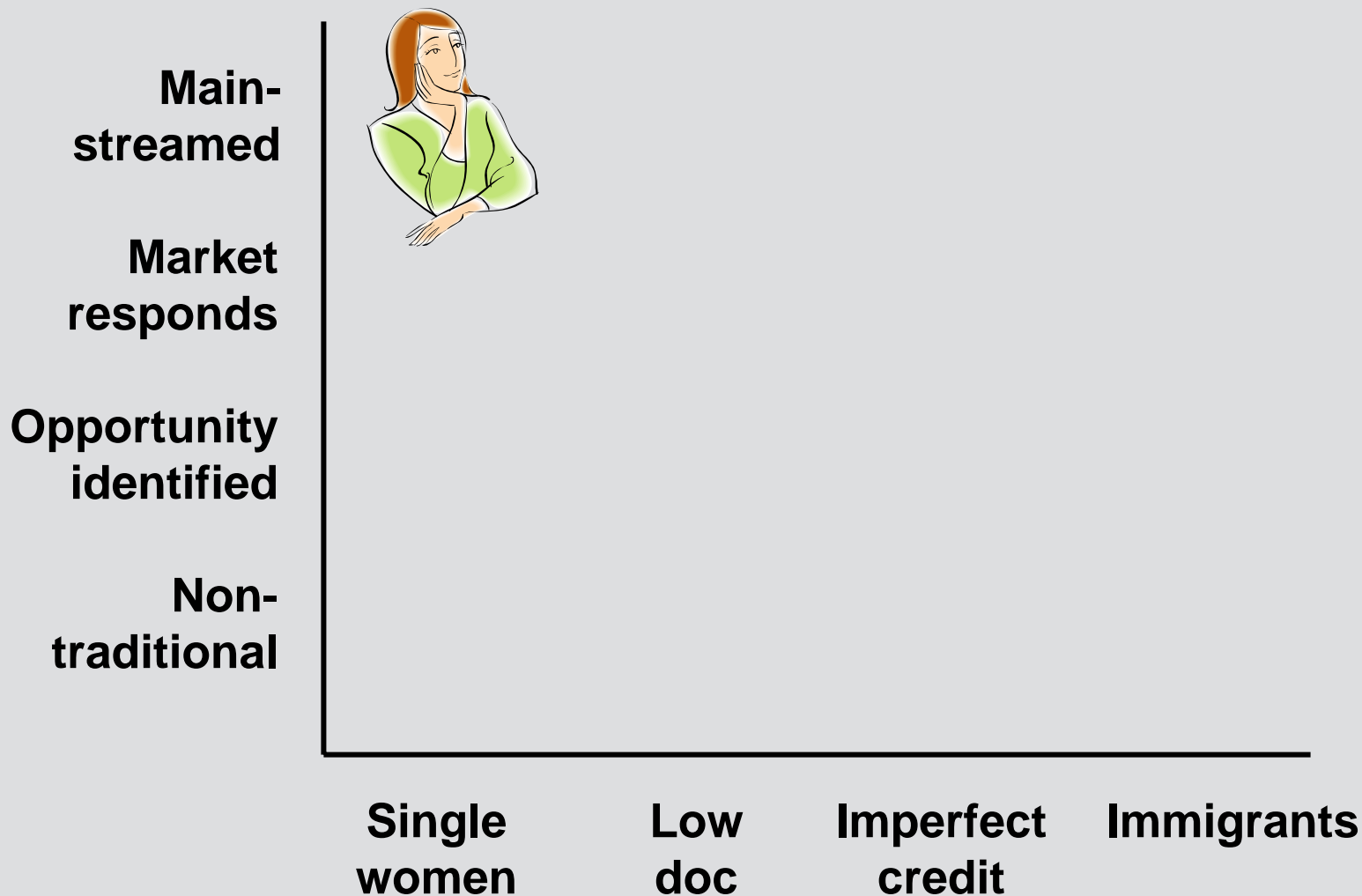
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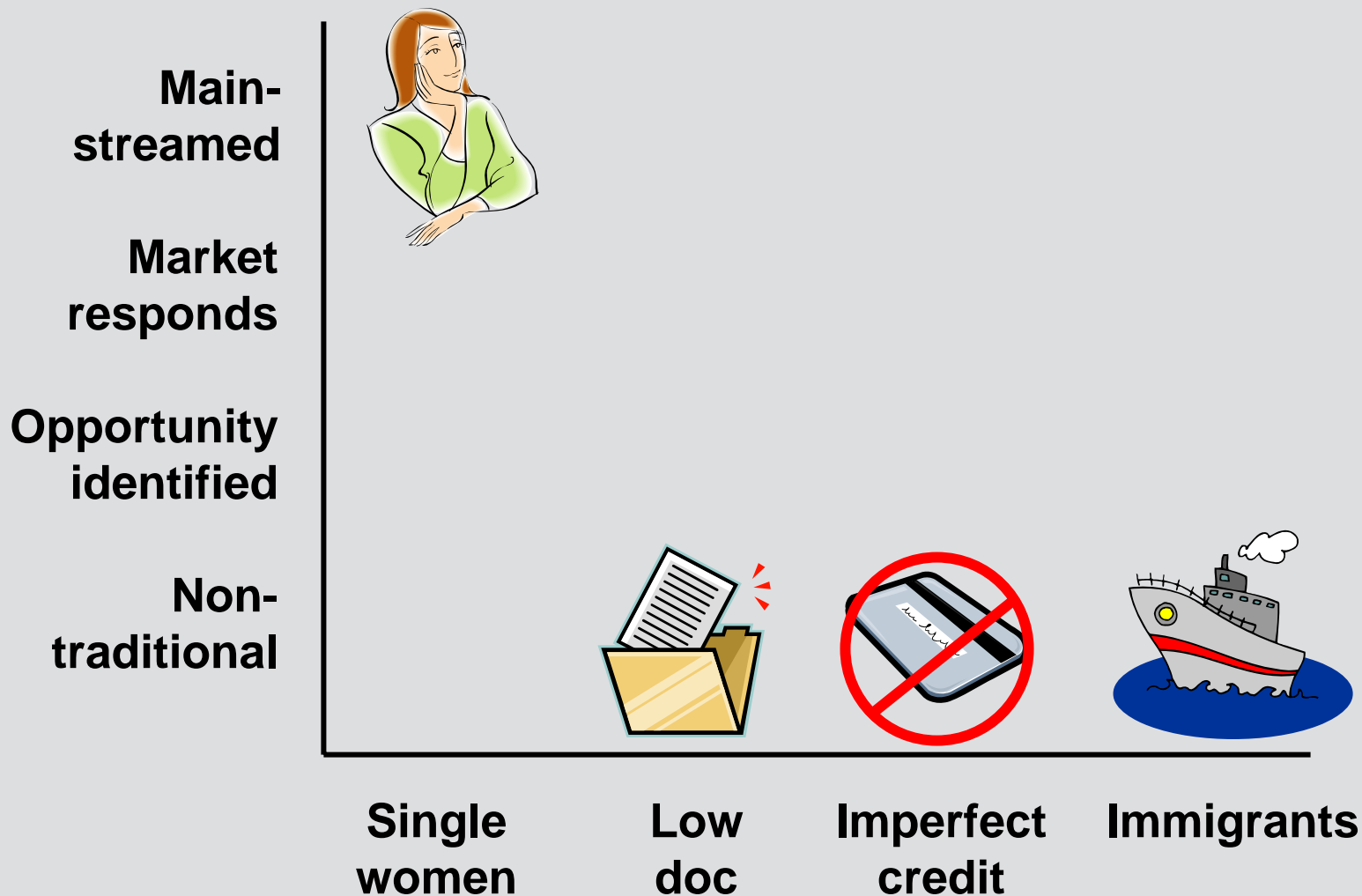
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Nontraditional Credit - A Moving Target!



Main-streamed



Market responds

Opportunity identified

Non-traditional

Single women

Low doc

Imperfect credit

Immigrants



“Nontraditional” can move into the mainstream with the help of:

- performance data
- pilots
- technology
- credit enhancements



**Seeing people for their
dreams, not their drawbacks**



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