



Alternative Products Lending Panel

Tapping the Emerging Markets

MBA Loan Productions Conference

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Panelists

- Gary Acosta, Founder and Past-Chairman of NAHREP
- Landon Taylor, VP of Market Development at The First American Corporation
- Jim Park, CEO of AREAA



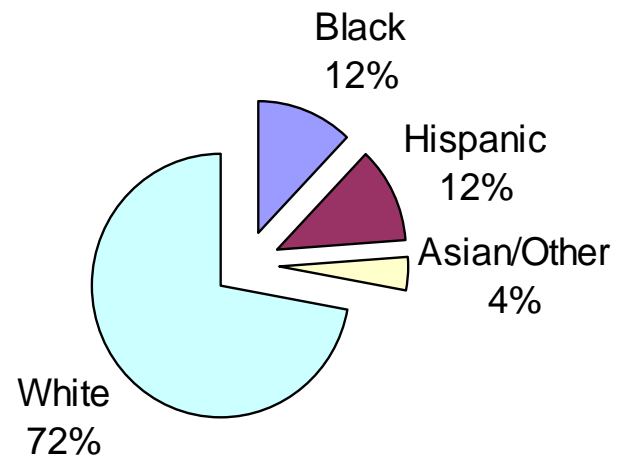
Overview of the Minority Market Opportunity

- **The 21st century first-time homebuyer is likely to be a minority household**
- **Homeownership rates are at an all-time high, but minority rate is well below the national average**
- **The gap cannot be fully explained by income disparities or age of households**
- **Minorities will account for 65% of net household growth in the next decade**



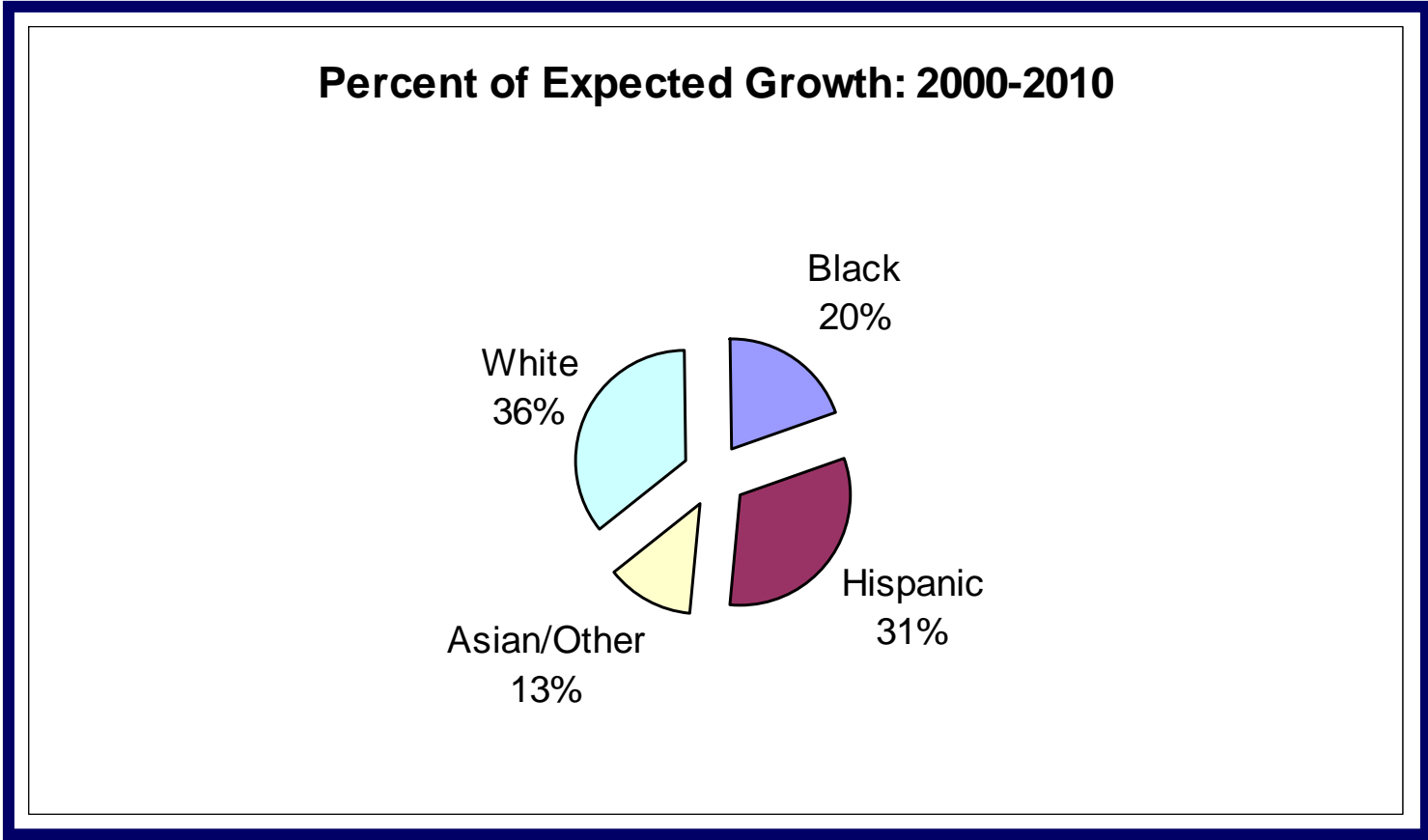
The Minority Market

Percent of All households : 2000



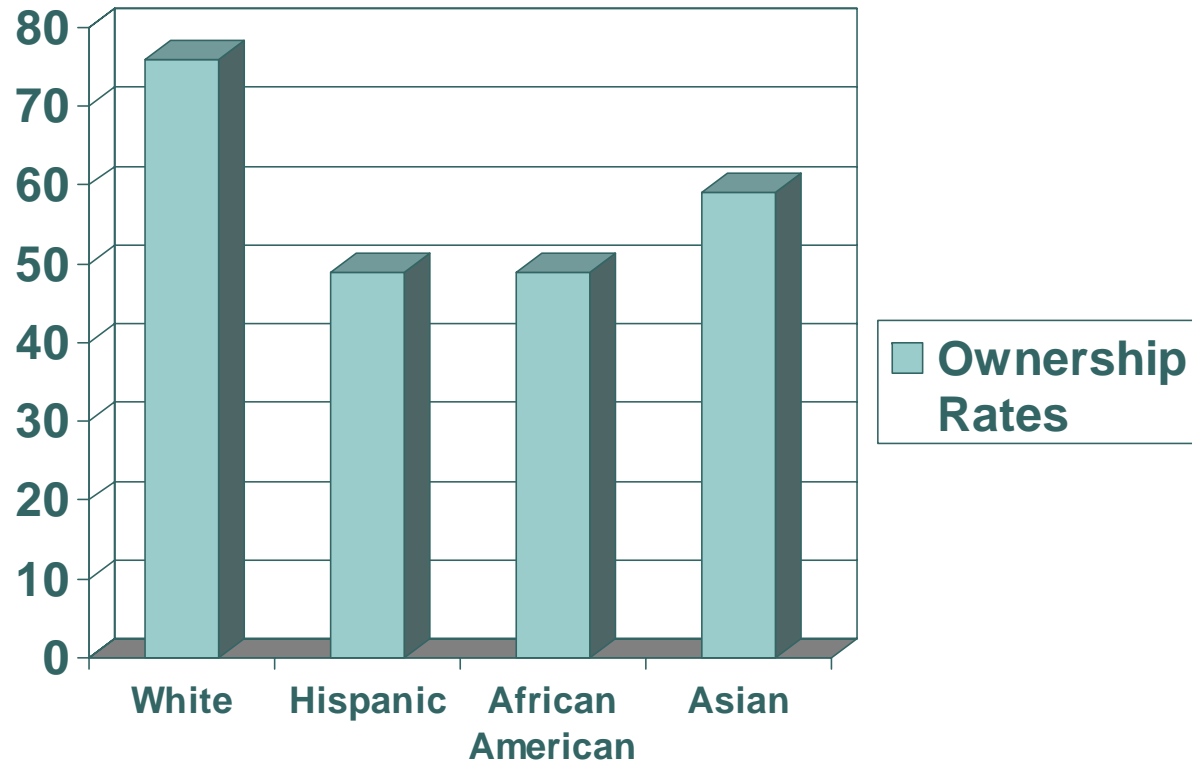


Minorities will drive household growth





Minorities Lag the White Homeownership Rate





The Hispanic Market

- **The dynamic Hispanic household growth will account for the largest share of minority increase**
- **80% of Hispanic homebuyers are first-time homebuyers**
- **As much as 65% of Hispanics prefer to communicate in Spanish**
- **More than 60% Hispanics say they are not comfortable with the terms involved in buying a home**



Key Factors in the Hispanic Market

- **20% of Hispanic adults have no credit score**
- **Almost 50% of Hispanics think that you need “perfect credit” to buy a home**
- **Less than 40% of Hispanics are not aware that lenders are not required by law to give the best rate possible**
- **39% Hispanics believe you need to have 20% for a down payment**



A New Approach to Serving This Market

- Significant innovations has taken hold in the market
 - Low Down
 - Lower FICO
 - Debt to Income
- Credit and mortgage scoring tools have driven these changes
- However, there are still relatively simply changes that can expand opportunities for minority borrowers
 - Source of downpayment/reserves



The African American Market

Demographic	Quick Facts*
African Americans are the 3 rd largest ethnic group in the U.S. behind the Hispanic populations	<i>39.2 M African Americans in the U.S. as of July 1, 2004</i>
Estimated African American Population	<i>61.4 M or 15% of total U.S. population by July 1, 2050</i>
Education	<i>1.1 M had advanced degrees in 2004 (a 62% increase since 1994)</i>
Buying Power	<i>\$921 Billion by 2008 and will exceed \$1 Trillion</i>
Median age for first-time homebuyers	<i>36</i>
Homeownership	<i>48% of African Americans own their own homes</i>
94% of the African American population is 'native to the U.S.' <i>(Born in the U.S.)</i>	



Key Factors in the African American Market

- Education is the key to cracking the code
- The ***Why***, followed by the ***How***
- The role of the ***trusted advisor*** is key
- African Americans are extremely brand loyal- the *Johnson & Johnson* factor
- Respect, investment, and high service levels can lead to market share dominance in this important segment



A New Approach to Serving This Market

- Beyond the product changes, technology is available today to look at creditworthiness in a different way
- Creditscoring models have increased efficiency and predictiveness of these products.
- However, there are a number of factors that are not captured by these scoring systems.
- There are new tools that captures other factors
 - Rent
 - Utility
- Empowering the Trusted Advisor with technology



The Asian Market

- Asian Pacific Americans are among the most diverse consumers in the United States, comprising dozens of different languages, ethnic groups, and cultures.
- It is the fastest growing population segment -- 80 percent growth rate to 13.5 million from 1990 to 2002.
- The most affluent segment of the U.S population with median household income is \$55,521 compared to the non-Hispanic White median household income of \$45,904.
- However, thirteen percent of the Asian-Pacific American population is at or below poverty level versus eight percent of the White population.



Key Factors in the Asian Market

- The Asian home ownership rate has risen spectacularly from 2000 to 2005 – increasing from 52% to 59%.
- The number of homes owned increased by 82 percent from 1990 to 2000.
- Asian Americans buy higher priced homes. The median value of an Asian-owned home is \$199,300 compared to \$118,800 for the U.S. overall.
- Asian Americans are significantly more rate and fee sensitive when it comes to choosing a lender.
- There is a strong desire to avoid mortgage insurance premium in the Asian market and this market tends to put higher downpayment.



A New Approach to Serving This Market

- Products are critical but it only gets you part of the way.
- Building relevant and trusted relationships at point-of-sale is a must:
 - Lenders
 - Brokers
 - Real estate channels
 - Third party agencies



Serving the Minority Market Effectively

- Know Your Customers
- Relevant Products
- Build Trust and Referral Business
- Link to Real Estate Professionals
- Partner with organizations such as NAHREP, NAREB and AREAA.