



# SERVICING THAT **BUILDS TRUST** IN THE HISPANIC COMMUNITY

by DEBORAH GARCIA-GRATACOS

IN FEBRUARY 2013, the Consumer Financial Protection Bureau (CFPB) issued mortgage servicing rules under the Real Estate Settlement Procedures Act (RESPA), also known as Regulation X and Z. The documents published in the *Federal Register* totaled hundreds of pages. ¶ Banks, lenders and loan servicers spent hundreds of millions of dollars collectively to ensure they understood

and complied with the rules. Consumer disclosure documents were all carefully updated and edited to abide by new mortgage servicing standards.

Regulators are hopeful that as a result of these pro-consumer changes, more homeowners will be able to understand loan disclosure documentation and keep their homes. However, these rule changes did not extend to the translation of key mortgage loan disclosure documents affecting homeowners for whom English is not their primary language.

So, it is possible that despite careful review and compliance by lenders and servicers, there will be a large group of homeowners who won't be able to read the key disclosure documents even if they wanted to. Why? Because the documents have not been translated. That would mean there is a large group of home mortgages that are at some level of increased risk.

As a nation of immigrants, we have homebuyers from all over the world who do not speak English. If any of us were to pick up a disclosure document in German or Portuguese, we would be just as overwhelmed as these non-English-speakers—particularly when it comes to significant investments such as the purchase of a home.

**As a nation of immigrants, we have homebuyers from all over the world who do not speak English.**

Just as lenders and servicers are careful to understand federal regulations to protect against liability, it would behoove them to be careful that all home purchasers have the ability to read the documents they sign.

As the data shows, the fastest growing demographic in the country is the Hispanic community—having grown 592 percent since 1970. By 2050 it is expected to more than double what it is today, according to the National Association of Hispanic Real Estate Professionals' (NAHREP's) 2014 *State of Hispanic Homeownership Report* ([www.scribd.com/doc/259940689/2014-state-of-hispanic-homeownership-report](http://www.scribd.com/doc/259940689/2014-state-of-hispanic-homeownership-report)).

From 2000 to 2014, Hispanics account-

ed for 50 percent of the net growth of overall owner households in the country, according to the NAHREP report.

Realizing the importance of this trend, Fannie Mae and Freddie Mac have made it easier for lenders by translating disclosure documents into Spanish. Unfortunately, after speaking with a range of loan servicers, it appears these existing tools are not frequently being used when loan modifications are made for Spanish-speaking borrowers. (The documents can be found on [www.fanniemae.com/singlefamily/riders-addenda](http://www.fanniemae.com/singlefamily/riders-addenda).) Lenders and servicers are permitted to put their letterhead on the documents.

As the chief executive officer and president of the only Hispanic woman-owned (non-bank) loan servicing firm in the nation, my company, DEVAL LLC, has serviced and monitored more than 725,000 mortgage loans. I have seen firsthand that the need is great for loan servicers to communicate better with Spanish-speaking homeowners.

Post-origination, homeowners receive a number of documents—all of which contain critical information for keeping current on their home loan or finding remedies should they get behind on their mortgage. The most important documents include the following:

- Welcome letter from the new servicer confirming contact and payment information;
- Borrower's monthly and yearly mortgage balance statements;
- Escrow analysis;
- Notice of intent to foreclose letters;
- Loss-mitigation documentation;
- Modification packages; and
- Goodbye letter indicating the new contact information for the new loan servicer.

Today, more often than not, the only materials provided in Spanish consist of marketing materials indicating who to call to get a loan.

The Spanish-speaking loan servicing operators are generally trained to tell customers what they already know in terms of the status of the loan; the amount they owe; and, if they need support, existing government resources to help them get back on track.

It is important for servicers to develop a comprehensive customer-care approach for servicing loans and have a diverse team to serve an ever-growing, diverse population. For non-performing loans specifically, it is important to com-

municate in the homeowner's most proficient language. That will improve the servicer's chances to reach a better resolution to address defaulted loans and properties, hence preventing foreclosure.

A single point of contact (SPOC) should be trained to provide Spanish-speaking borrowers with a step-by-step process in Spanish for addressing any key issues.

Better loan resolution leads to decreased foreclosure rates and also protects a lender's brand. Effective loss mitigation with proper documentation in Spanish is an important tool for keeping homeowners in their homes, as well as saving banks high maintenance costs and litigation expenses.

#### Engagement

Providing translated documents is an important step, but ensuring that servicing staff is trained in locating these resources is also key in providing essential information to borrowers. Samples of such documents can be found on Fannie Mae, Freddie Mac and the Department of Housing and Urban Development (HUD) websites.

A second important component is

engaging the Spanish-speaking consumer on a personal level. Translated documents will get Hispanic purchasers to take notice, but direct educational engagement is a prized commodity in the Hispanic community.

Recently a family member asked me if I would help out a friend from church, José Rodríguez, who was at the point of losing his house. His loan servicer's single point of contact had a hard time understanding him and did not speak Spanish. The servicer would tell Rodríguez to read the information sent in the mail, that his house was going into foreclosure, and then would rush him off the phone.

I was able to get on the telephone and ensure that the servicer provided all feasible options, walking Rodríguez step by step through his modification while serving as a translator and educator throughout the entire process. Avoiding foreclosure in this case helped to save the lender tens of thousands of dollars in legal and disposition fees, and protected the investor. Rodríguez continues to live in the house and is paying his loan on time.

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For lenders, servicers and investors communicating with the growing Hispanic Community is key to achieving success. As the only Fitch Rated non-bank Hispanic woman-owned mortgage loan servicer in the nation, DEVAL is uniquely well positioned to assist financial institutions in properly serving this growing market. For more information about our services, contact us at [information@deval.us](mailto:information@deval.us)



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Translated documents have more impact when they are coupled with specialized bilingual professionals on staff who can assist borrowers and walk them through the process. Now is the time to engage the wealth of cultural competency that comes naturally to Hispanic employees, which will ultimately improve any lender's bottom line.

Having trained, native Spanish speakers on staff and diverse servicing vendors is critical for lending and servicing institutions. It is the key to unlocking billions of home-purchasing dollars in the United States.

While Hispanics will be better served if key mortgage documents are in Spanish, if they receive a call from a servicer who not only speaks Spanish but can engage them on a cultural level, it will establish a foundation for problem-solving and create significant brand loyalty. *Confianza* (meaning trust) is an important word in the Hispanic community that can be gained through meaningful engagement.

Lenders may want to consider incentivizing loan servicers to do a better job of reaching key demographics, and track the data on their performance to be sure the servicer is invested in an approach focused on cultural engagement. It would help to move the servicers from a one-size-fits-all approach to an understanding of how various communities operate based on cultural norms.

In today's multicultural economy, a presidential candidate would not survive if he used the same approach in Flint, Michigan, as he used in Albuquerque, New Mexico. Today candidates invest close to \$1 billion just to reach targeted demographics and to be sure they are engaging on a personal level. The same should go for the relationship centered on the largest purchase that most people will make in their lifetime.

### Regulation

The advantage of taking a strategic approach to both of these issues, translation and cultural engagement, is that it will also satisfy some of the joint standards from section 342 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.

As a result of section 342, each federal financial agency has an Office of Minority and Women Inclusion (OMWI). The statute directs each OMWI director "to develop standards for assessing the di-

versity policies and practices of entities regulated by that agency."

Lenders and servicers that are proactive in this space will have an opportunity to engage directly with the federal agencies that regulate them, to share best practices on this issue, build strong policy networks with other lenders and consumer advocates, and ultimately achieve greater success with an important consumer base.

### Recommendations

Following are a set of recommendations that can put any lender or servicer on the pathway to success with the growing Hispanic community in the United States:

- Utilize existing tools that are at your disposal, such as disclosure documents that have been translated into Spanish by Fannie Mae and Freddie Mac.
- Provide a comprehensive, customer-care solution that is culturally appropriate and tailored for performing—as well as non-performing—loans. Call centers that only offer the basics are putting corporations and their investors at risk.
- Venture out from the most common servicers and seek diverse vendors that provide a culturally appropriate solution as the cornerstone of their offering.
- For industry groups, have diverse servicing vendors provide advice and counsel through various channels, such as conferences and training programs. By providing access to such timely advice, you will be helping corporations to protect their brand and revenue streams. The Mortgage Bankers Association's (MBA's) Strategic Markets and Diversity Summit is a prime example of this.

### In closing

A few minor investments in providing language-appropriate documents and culturally appropriate servicing will go a long way to not only protect brand reputation, but also improve a lender's bottom line.

In my experience, most lenders want to provide access to the American dream to an ever-growing and diverse population in the United States. It's just a matter of approaching it with the right tool kit.

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