



EXPANDING HOMEOWNERSHIP  
CHARTING A PATH FORWARD

# Serving Latino Communities through Technology

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In recent years, Latinos have accounted for a sizable share of homeownership growth, with the National Association of Hispanic Real Estate Professionals (NAHREP) reporting that Latino homeownership reaching 48.4% in 2021, its highest level since the mid-2000s. What's more, the mortgage-ready Latino population is rapidly growing, with the Urban Institute projecting Latinos will account for 70% of net new homeowner households by the year 2040.

Despite these trends, NAHREP has found that Latinos are 81% more likely to be denied home financing than their non-Latino counterparts.

These data points, along with Spanish-speaking homebuyers' concerns regarding language barriers, point to an urgent need for credit unions to improve language accessibility for Latino homebuyers. Thankfully, ongoing innovation in the mortgage industry is producing tools to help credit unions strengthen relationships with the Latino community and sup-

port the needs of all limited English proficiency (LEP) homebuyers.

## CHALLENGES FOR LATINO LEP HOMEBUYERS

Latino homeownership has risen each year since 2014, accounting for more than half of U.S. homeownership growth since 2010. Nonetheless, financing a home requires a lot of hoop-jumping for Latinos and LEP borrowers of all backgrounds.

Members and prospects that are seeking a mortgage obviously prefer to

work with an advisor they understand and trust. LEP borrowers are no different in this regard, and language barriers make trust an even bigger priority. According to a 2017 study conducted by Kleimann Communications Group for Fannie Mae and Freddie Mac, Spanish-speaking homebuyers rely heavily on relatives and trusted advisors for guidance and translation during the homebuying process. Establishing trust with their lender is also a primary concern, as LEP individuals are often nervous about failing to understand the intricacies and requirements of such an enormous financial decision.

LEP Spanish-speakers are especially likely to feel at risk if they are unable to personally review loan details in their homes — and rightfully so. Like most homebuyers, LEP individuals recognize the importance of understanding the terms of their mortgage. They simply lack the English proficiency needed

to parse complex legal terminology and confidently verify information on their own. Even members that speak English fluently may want loan documents in their native language to ensure they fully understand the implications of unfamiliar words like “amortization” or “escrow.”

## EXPANDING ACCESSIBILITY THROUGH LEGISLATION

The challenges Spanish-speaking Latinos face in mortgage origination and servicing are long-running. Fortunately, consumer protection laws expanding support requirements for LEP homebuyers have already been passed in some states, and federal legislation is forthcoming.

In 2018, for example, California passed SB 1201, which requires financial institutions that negotiate a mortgage loan modification with a borrower primarily in Spanish, Chinese, Tagalog, Vietnamese, or Korean to also provide a form summarizing term changes in the same language used in negotiation. New Jersey also passed a similar law in 2019 requiring credit reporting agencies to provide reports in Spanish and 10 other common languages upon request.

Introduced in 2021 by House Rep. Sylvia Garcia (D-Texas), whose Texas district is reportedly more than three-quarters Latino, HR 3009 would require residential lenders and servicers to provide interpretation services and application documents in the eight most commonly-spoken languages identified by the CFPB. HR 3009 is just one example of pending language access legislation on a federal level. Either it will succeed and force lenders to provide better support, or other similar bills will follow as demand for Spanish language financial services continues to grow.

The CFPB has avoided making rigid requirements for LEP homebuyer support, giving credit unions the free-

dom to decide for themselves how best to offer financial products and services to LEP homebuyers in their member network. While credit unions are being encouraged to attend to the issue of language accessibility, they can currently do so at their own pace to ensure their program is effective using LEP member feedback. Notably, the CFPB, HUD and other agencies have produced LEP guidance and made it available in several different languages on their websites.

## LEVERAGING TECH TO SERVE LEP MEMBERS

Some enterprising credit unions have already begun expanding services for Spanish speakers. For example, Dora Financial LLC is an all-digital credit union cooperative aiming to expand Latino access to financial services via its mobile banking app that offers both English and Spanish language options. Of course, building a comprehensive portfolio of Spanish resources for Latino members is quite a tall order for many credit unions.

Translating a variety of loan documents into multiple languages may be a reasonable undertaking for banks and IMBs with significant volume. For smaller regional credit unions on the other hand, this level of translation may

be too costly and time-consuming. Instead, credit union lenders can stay competitive in the Latino homebuyer market (without blowing their budget on translation services) by adopting digital tools that have Spanish translations already built in.

The adoption and implementation of digital solutions is designed to help Spanish-speaking members entail an initial product and training investment. However, once a system is in place, credit unions can begin offering their competitive rates and personalized services to the historically underserved Latino market at scale — plus reap the benefits of being

among the first to do so.

When reviewing options for Spanish-language technology in the mortgage industry, credit unions should always have compliance in mind, or risk costly penalties and losing the trust of Latino members. For example, advertising a service in Spanish and then providing contractual documents in English could be construed as misleading and result in a violation of National Credit Union Administration (NCUA) requirements. The CFPB’s mortgage origination examination manual is a helpful resource for understanding unfair, deceptive, or abusive acts or practices (UDAAP) that credit unions should avoid.

## IN CONCLUSION

Technology that allows credit unions to connect with members in Spanish, along with an understanding of the challenges Latino communities face in the mortgage market, can open credit unions’ doors to a breadth of opportunities that will only continue to increase in coming years. Although today’s multilingual lending tools may not be developed enough to support a fully-digital borrower experience in Spanish just yet, they can be a cost-effective way for credit unions to get their foot in the door with Latino homebuyers. Informed by member data, feedback and the evolving needs of their local communities, credit unions can use these tools to effectively expand language access that is long overdue in the mortgage industry. ▲

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