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Mortgage Originator

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Translating Disclosures for the Hispanic Market*

The benefits of translating key documents.

By Camilo Munoz and Andrea Lee Negrone

The emergence of the Hispanic segment of the U.S. financial services marketplace has been in the limelight since the 2000 census data were published. At the recent Hispanic Banking Forum sponsored by the Consumer Bankers Association in Washington, D.C., speakers including representatives of the U.S. Hispanic Chamber of Commerce, BB&T, Bank One/J.P. Morgan Chase, Citigroup, Wells Fargo, and LaSalle Bank reinforced the numbers, citing eye-popping statistics on the growing size and influence of the Hispanic market.

In addition to sheer numbers, the speakers focused on how to reach potential customers among the Hispanic population. Research provided by National City Bank identified three factors essential to development of a financial services marketing strategy: the culture of origin of the potential customer, his acculturation level, and his language usage. Borrowing a theme from M. Isabel Valdes, author of "Marketing to American Latinos: A Guide to the In-Culture Approach," Cristian Sandoval of National City noted that "messages must fit the cultural context and the mind-set of the audience -- the message must speak the culture."

This article addresses one of the three factors identified above: language usage. The most obvious and simplest way to fit the cultural context of Hispanics is communicating with them in Spanish. In consumer finance, the language of financial transactions frequently involves terms of art, legal terminology, and arcane words. When financial documents are challenging in English, it is unlikely they will become more transparent or user-friendly when translated into Spanish. Notwithstanding this, it stands to reason that if a potential customer is more comfortable communicating in Spanish, well translated documents provided to him in both English and Spanish can only increase his likelihood of comprehension. Even among Hispanics of so-called "high acculturation" who are English language dominant

and who may not speak or understand Spanish, the availability of Spanish-language marketing or transaction documents may enable a lender or broker to "speak the culture" in a manner that appeals to the potential customer.

With the foregoing statistics in mind, and with financial institutions focused on how to reach the Hispanic marketplace comes an opportunity for the mortgage brokerage industry to consider Spanish language outreach, particularly in markets where Spanish is widely spoken. Such markets are no longer limited to California and Texas. The markets of New York, Miami, Austin, Dallas, Houston and San Antonio represent one-third of Wachovia's footprint, covering 30 percent of the overall U.S. Hispanic population). Important markets also include the Northeast Metro market (DC, Baltimore metro region, 18th largest Hispanic market), Atlanta (nation's 23rd largest Hispanic market), and even North Carolina (Charlotte, Research Triangle, and Triad regions), which has the country's largest Hispanic growth rate, according to BB&T Bank.

Among consumer financial transactions, mortgage loans are among the most reliant on legal language and the most complex, making the mortgage business a prime candidate for translated documents. In addition, the myriad of fees and charges associated with mortgage loans creates both an obvious opportunity and a pressing need for the industry to provide clear and thorough explanations. When one considers that nearly 40 percent of U.S. Hispanics have no traditional banking relationships and are underserved by financial institutions, it is apparent that the need for clear explanations of transaction costs is heightened when Hispanics are involved.

About five years ago, the National Association of Mortgage Brokers (NAMB), working with the Mortgage Bankers Association of America (MBAA) developed a model form "Mortgage Loan Origination Agreement" (Mortgage Loan Origination Agreement-English) for the purpose of disclosing to potential borrowers the fact that mortgage brokers earn their fees for providing wholesale priced loans. The Mortgage Loan Origination Agreement was an attempt at compromise between the industry and the Department of Housing and Urban Development (HUD), which took the position that without a specific compensation disclosure, consumers would not understand the role or purpose of "yield spread premiums" paid to brokers by lenders in residential mortgage transactions. HUD proposed a rule that would require the use of a mortgage brokerage agreement, but the rule was not adopted. Instead, many in the mortgage brokerage industry voluntarily adopted the

NAMB/MBAA form of disclosure.

The drafters of the Mortgage Loan Origination Agreement should be congratulated on devising a document that is relatively straightforward and not overly burdened with legal language. We still consider the Mortgage Loan Origination Agreement a valuable tool in the arsenal of mortgage brokers and recommend that if used with Spanish-speaking consumers, it should be translated into Spanish (Mortgage Loan Origination Agreement-Spanish) One way to do this without increasing production costs would be to offer the agreement in English on one side of the page and Spanish on the other. The English and Spanish versions can be printed from this article for use by mortgage brokers. (Although we have to notify you that the agreement is not intended as legal advice to any party; it is not a substitute for any similar agreement required to be provided by state law or any other law to which the mortgage broker is subject. It may be necessary to modify the agreement to comply with the requirements of state law.)

Obviously, the Mortgage Loan Origination Agreement is only one of many documents used in a mortgage loan transaction. Many other documents, including the note, mortgage, Truth-in-Lending Statement, and HUD-1 closing statement, should be made available in Spanish by a financial service provider seeking to make a genuine effort to reach Spanish-speaking consumers in their own language. We hope that by making this key document available to the industry, mortgage brokers in Hispanic-concentrated markets will be able to gain a foothold, and eventually the loyalty, of this key segment of the population.

**Author's Note: Materials provided by Wachovia Corporation noted that the purchasing power of Hispanics is \$700 billion, and wealth accumulation among Hispanics in the U.S. is occurring twice as fast as in the general population. Most of the statistics and data in this article are taken from materials provided by speakers and panelists at the CBA's Hispanic Banking Forum, Washington, D.C., September 22-23, 2004.*



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MORTGAGE LOAN ORIENTATION AGREEMENT

You, the applicant(s), agree to enter into this Mortgage Loan Origination Agreement with _____
[name of company]
as an independent contractor to apply for a residential mortgage loan from a participating lender with which
we from time to time contract upon such terms and conditions as you may request or a lender may require.

You inquired into mortgage financing with _____ on _____.
[name of company] [date]

We are licensed as a "mortgage broker" under _____.
[name of law]

Section 1. NATURE OF RELATIONSHIP. In connection with this mortgage loan, we are acting as an independent contractor and not as your agent. We will enter into separate independent contractor agreements with various lenders. While we seek to assist you in meeting your financial needs, we do not distribute the products of all lenders or investors in the market and cannot guarantee the lowest price or best terms available in the market.

Section 2. OUR COMPENSATION. The lenders whose loan products we distribute generally provide their loan products to us at a wholesale rate. The retail price we offer you -- your interest rate, total points and fees -- will include our compensation. In some cases, we may be paid all of our compensation by either you or the lender. Alternatively, we may be paid a portion of our compensation by both you and the lender. For example, in some cases, if you would rather pay a lower interest rate, you may pay higher up-front points and fees. Also, in some cases, if you would rather pay less up-front, you may be able to pay some or all of our compensation indirectly through a higher interest rate in which case we will be paid directly by the lender. We also may be paid by the lender based on (i) the value of the Mortgage Loan or related servicing rights in the marketplace, or (ii) either services, goods or facilities performed or provided by us to the lender.

By signing below, applicant(s) acknowledge receipt of a copy of this signed Agreement.

MORTGAGE LOAN ORIGINATOR

APPLICANT(S)

By: _____

By: _____

Date: _____

Date: _____

Name: _____

Name: _____

Address: _____

Address: _____

ACUERDO DE ORIGINACIÓN DE PRÉSTAMO HIPOTECARIO

Usted(es), el o los solicitantes, acuerda(n) suscribir el presente Acuerdo de Originación de Préstamo Hipotecario con _____ como contratista independiente para solicitar un préstamo

[Nombre de la Compañía]

hipotecario residencial a un prestamista con el que celebremos contratos en forma periódica de conformidad con los términos y condiciones que usted(es) solicite(n) o un prestamista requiera. Usted(es) indagó(aron) acerca de un financiamiento hipotecario con _____ el _____.

[Nombre de la Compañía]

[fecha]

Contamos con licencia como "Corredor Hipotecario" en virtud de la Ley _____.

[Nombre de la Ley]

Artículo 1. NATURALEZA DE LA RELACIÓN. Respecto del presente préstamo hipotecario, actuamos en calidad de contratista independiente y no como su representante. Suscribiremos dos acuerdos de contratista independientes con diversos prestamistas. Si bien nuestra finalidad es ayudarle a satisfacer sus necesidades financieras, no distribuimos los productos de todos los prestamistas o inversionistas en el mercado y no podemos garantizar el precio más bajo ni los mejores términos disponibles en el mercado.

Artículo 2. NUESTRA REMUNERACIÓN. Por lo general, los prestamistas cuyos productos de préstamo distribuimos, nos ofrecen sus productos de préstamo a precio de mayorista. El precio al detalle que le ofrecemos, su tasa de interés, totalidad de puntos y comisiones, incluirá nuestra remuneración. En algunos casos, es posible que nuestra remuneración sea pagada completamente por usted o por el prestamista. O bien, es posible que usted pague una parte de nuestra remuneración y el prestamista la otra. Por ejemplo, en algunos casos, si prefiere pagar una tasa de interés menor, es posible que desee pagar puntos y cargos iniciales más altos. Y en otros casos, si prefiere realizar un pago inicial menor, puede pagar la totalidad o parte de nuestra remuneración indirectamente mediante una tasa de interés más alta, en cuyo caso, el prestamista nos pagará en forma directa. Asimismo, es posible que el prestamista nos pague de conformidad con (i) el valor del Préstamo Hipotecario o derechos de administración en el mercado relacionados o (ii) servicios, bienes o instalaciones realizados o proporcionados por nosotros al prestamista.

Al firmar abajo, el o los solicitantes certifican recibo de una copia del presente Acuerdo firmado.

ORIGINADOR DEL PRÉSTAMO HIPOTECARIO

SOLICITANTE(S)

Por: _____

Por: _____

Fecha: _____

Fecha: _____

Nombre: _____

Nombre: _____

Dirección: _____

Dirección: _____