

Gwinnett Housing Resource Partnership, Inc.

By Alexander von Hoffman

In Gwinnett County, Georgia, the Gwinnett Housing Resource Partnership's challenge is to serve Latino first-time homebuyers.

Introduction

Since 1993, the Gwinnett Housing Resource Partnership, Inc. (GHRP) has brought a wide array of housing services to county residents, and it will soon expand its operations to offer mortgage loans to the fast-growing racially and ethnically diverse environment of Gwinnett County, Georgia. The organization's biggest challenge, as GHRP's executive director, Marina Sampanes Peed, points out, is to help potential homebuyers learn about their alternatives before they make financial decisions. Because many of its clients — especially recent immigrants from Mexico and Latin America — are outside the institutional mainstream of American life, simple advertising alone is not sufficient.

Gwinnett County

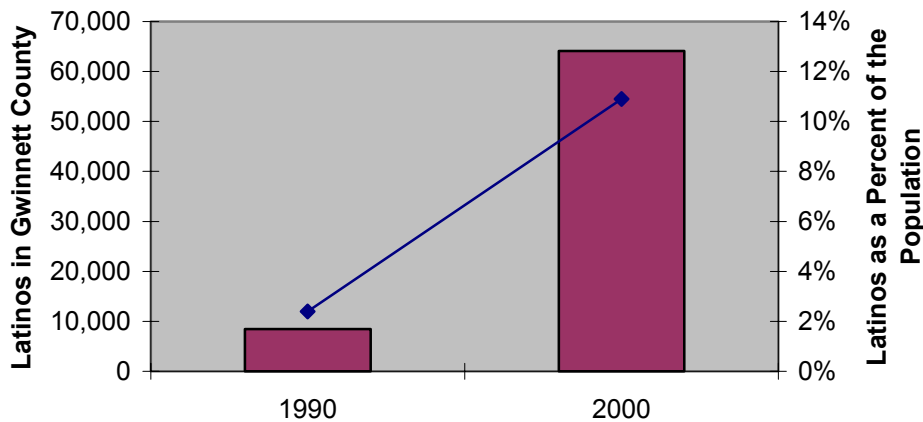
Although most people think of suburban sprawl in remote rural areas, a great deal of urban development happens in relatively accessible places that attract the working- as well as the middle-classes and members of racial minority groups as well as whites. Gwinnett County, Georgia, is such a place. Located 30 miles northeast of Atlanta, it is at first glance a classic “new-growth” area. Most of its 437 square miles is unincorporated, and only 60 percent of its territory is developed.

Gwinnett County has a diverse economy. The areas of employment include education (the county has Georgia's largest school system), manufacturing, retail (especially in the county's three major malls), and warehouse distribution for the region. With so many employers, the population of Gwinnett has boomed in recent years. According to the Census, the population of Gwinnett County expanded by two-thirds between 1990 and 2000, showing a gain of more than 200,000 people. This increase drove the population to more than 588,000. Gwinnett's population has continued to grow by leaps and bounds. According to county estimates, Gwinnett now has 684,500 residents.

Gwinnett County continues to attract whites, of whom the 2000 Census counted some 428,000, 75,000 more than the population of the entire county in 1990. Although predominantly white, Gwinnett County is increasingly a multiracial and ethnic territory. It has attracted large numbers of African-Americans and immigrants, and, as a result, during the 1990s the white share of the population dropped from 91 to 73 percent. In those years, the African-American population increased to 78,000, a striking 330 percent increase.

During the same decade, the Hispanic/Latino¹ population took a tremendous jump, rising by 657 percent to 64,000 residents, or 11 percent of the total. This figure may severely underestimate the actual numbers; University of Georgia demographers estimate the number of Hispanics in Gwinnett County to be twice as high. By all counts, more Latinos live in Gwinnett County than any other county in Georgia. As in the rest of Georgia, the large majority of Latinos are Mexican in origin, but there are also smaller groups of Puerto Ricans, Cubans, and people from various Central American countries.

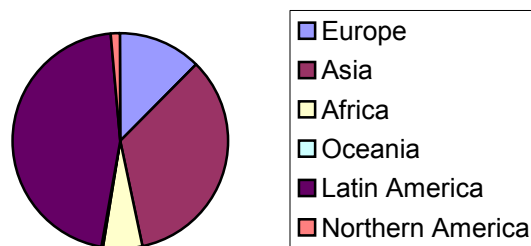
Latino population grew by more than 6 times in the last decade



Although not as large, the Asian and Pacific Islander population of Gwinnett also swelled, increasing from about 10,000 in 1990 to more than 40,000 in 2000.

Parts of Gwinnett County have become like a port of arrival for newcomers from other lands. By 2000, 17 percent of Gwinnett’s population was born outside the United States, and almost 60 percent of these foreign-born residents arrived in the previous 10 years. People from Latin America, primarily Mexican-born, made up the largest group of foreign-born residents (46 percent), and two-thirds of these had arrived in the country within the last 10 years. The next largest group was Asians, and there were also black immigrants from Jamaica and African nations.

Region of origin for immigrants in Gwinnett County

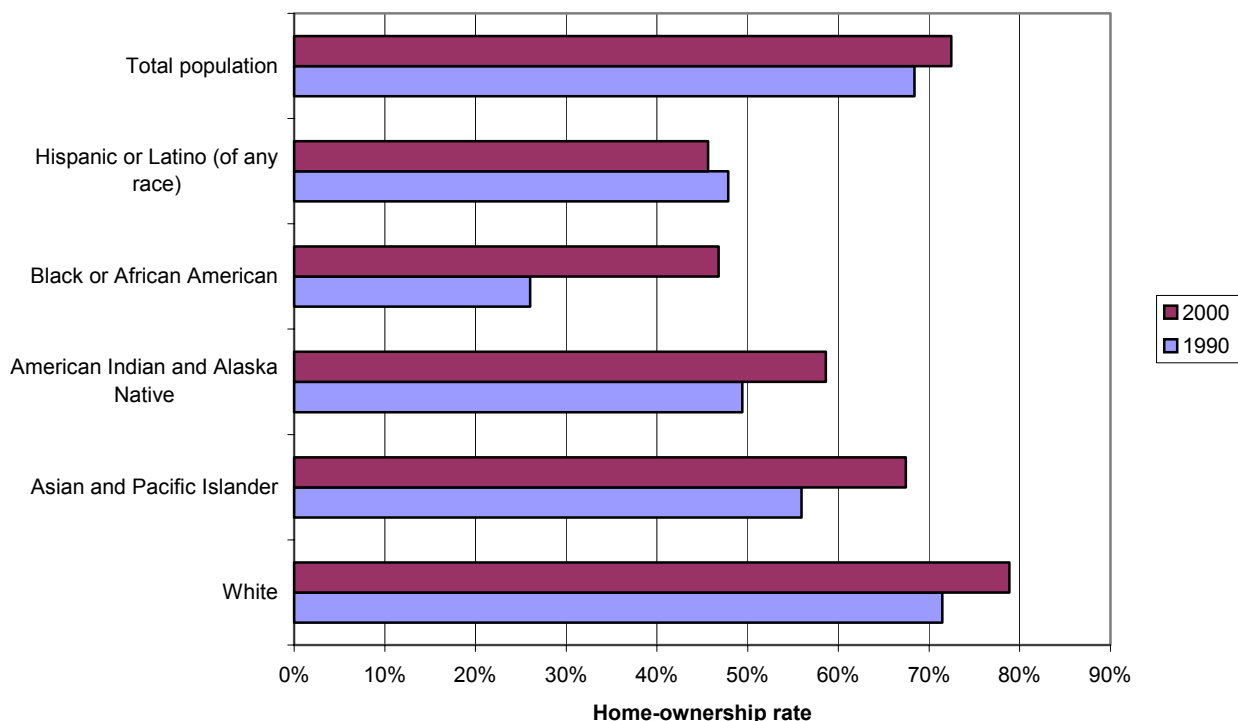


¹ In this case study, the terms Hispanic and Latino or Latina will be used interchangeably.

Housing in Gwinnett County

The population growth has spurred a construction boom in Gwinnett County, which, according to *Gwinnett Magazine*, leads all other counties in Georgia in number of homes built. Most of the new home construction, observes GHRP's director Marina Peed, has been aimed at upper-middle and affluent single-family households. Home-ownership rates in Gwinnett County are extraordinarily high: the 72 percent exceeds the national rate of 66 percent in the 2000 Census.

Latino home-ownership rate decreased between 1990 and 2000, despite gains for other groups



More than three-quarters of Gwinnett's housing stock is made up of single-family houses, and the cost of new single-family homes has been rising. Today the average price of a new home in Gwinnett County is estimated at \$211,220, and the average prices on an existing home is over \$171,000. The best possibility for those households at 50 percent to 80 percent of the area median income wishing to buy a home is to purchase an existing home, which on average is considerably cheaper.²

Despite the general prosperity in Gwinnett County, many households face financial problems. According to the U.S. Census, the median household income in 1999 Gwinnett County was \$60,537, yet one-third of the county's households earned less than \$45,000 a year. Significant proportions of racial minority groups earned less than the median: 63 percent of black households,

² In Gwinnett County, the average new home price in 2002 was \$211,220, whereas the average existing home price in 2002 was \$171,728. Source: Smart Numbers, Inc.

56 percent of Asian households, and 65 percent of Latino households earned less than \$60,000 in 1999. And almost 6 percent of the total population lived below the poverty level in 1999.

For those who fell behind in earnings, paying for housing could be difficult. According to GHRP, one-fifth of the county's households are overburdened by their housing costs — that is, more than 30 percent of their gross income goes toward housing expenses such as mortgage, insurance, utilities, taxes, and home maintenance. About a third of each of the households in the three racial minority groups fell into the category of those suffering from housing costs that exceeded their means.

One of the results seems to be a large and increasing number of mortgage foreclosures. According to EquiSystems LLC, Gwinnett County had the third highest foreclosure rate in the Atlanta metropolitan area. Between 2000 and 2002, the annual number of foreclosures in Gwinnett more than doubled from 1,677 to 3,561, and the number of foreclosures continues to climb in 2003. Figures are not available by race, but it is reasonable to assume that minorities are defaulting at similar or higher rates than the overall average.

Gwinnett Housing Resource Partnership, Inc. (GHRP)

The mission of the Gwinnett Housing Resource Partnership, Inc. (GHRP) is to help those families and individuals who have problems acquiring or maintaining adequate affordable housing. A relatively large operation, GHRP in 2002 employed 28 staff members and its organizational budget exceeded \$3 million. Since 1993, the agency has aimed to develop and preserve housing in Gwinnett County, Georgia, for low- and moderate-income people (including the homeless); to strengthen family and communities; and to promote fair housing and nondiscriminatory practices in Gwinnett County.

GHRP's Clientele

Consistent with GHRP's mission, most of its clients have modest incomes. In 2002, 73 percent of the agency's clients earned less than 50 percent of the area median income, and another 20 percent earned between 50 percent and 100 percent of the area median income. The remaining 7 percent earned more than the area median income, but these were mortgage default cases. In fact, the recession last year brought down the income levels of GHRP clients. Last year, the agency counseled more than 500 homeowners who had mortgage delinquency and default concerns. Most of these households had tumbled into crisis after a job loss.

The clientele of GHRP reflects the diversity of the Gwinnett County population. A majority of the agency's clients, 56 percent, are African-Americans. Whites make up the next largest group, 24 percent, of the people GHRP serves. Latinos, primarily with Mexican background, make up another 16 percent. Two-thirds of the clients reported are female.³

³ Figures provided by Gwinnett Housing Resource Partnership, Inc.

Gwinnett County Population and Clients Served by GHRP

	Percentage of Clients Served	Percentage of Gwinnett's Population (2000)
African-Americans	56%	13%
Whites	24%	73%
Latinos	16%	11%

GHRP's Housing Services

GHRP offers a variety of housing-related services, which include emergency shelter and homelessness prevention, transitional housing, and rental housing. GHRP's core mission, however, is helping low- and moderate-income people successfully achieve home ownership.

To this end, GHRP is a certified Full-Cycle Lender and is seeking designation as a NeighborWorks[®] Home Ownership CenterSM, which will serve both first-time homebuyers and existing homeowners. GHRP's programs range from education to financial assistance. They include:

- eight-hours of prepurchase education;
- financial fitness classes;
- individual development accounts (IDA);
- economic literacy course;
- individual housing counseling;
- flexible loans for down payments;
- postpurchase classes and support;
- Home Equity Conversion Mortgage counseling; and
- mortgage default and predatory lending counseling.

Since 1996, GHRP's Home Ownership Center has served 8,900 households, which helped 1,270 families purchase homes. In addition, GHRP has saved lenders \$31 million by preventing over 975 foreclosures.

To fund the Home Ownership Center, GHRP sought help from a variety of government agencies, intermediaries, foundations, and lenders. They include:

- Gwinnett County: down-payment assistance and prepurchase education and counseling for recipients of HOME assistance
- HUD: Housing Counseling Grant
- United Way: Individual Development Account (IDA) Program
- Neighborhood Reinvestment: Financial Fitness Program, educational classes.
- Lenders such as Atlantic States, Primerica, and Washington Mutual

In addition, the organization has found support from corporations for homebuyer programs.

Beyond its education, counseling, and down-payment assistance, GHRP is about to expand into direct lending. Having just received its mortgage-broker license, GHRP established Neighborhood Financial Services, a nonprofit subsidiary, to offer mortgage loans and brokering, and eventually, home-improvement loans. Neighborhood Financial Services will allow provide one-stop shopping to homebuyers.⁴

Challenges to Minority Home Ownership

Despite its impressive array of services and long achievement record in Gwinnett County, today GHRP faces difficulties in carrying out its mission of helping minority households. In 2002, GHRP provided prepurchase education and counseling to only 5.5 percent of the county's potential homebuyers' market.

To begin with, GHRP faces stiff competition in the mortgage market for low-income families, many of whom are members of racial minorities. Many banks and mortgage companies now offer down-payment assistance. When GHRP started, Marina Peed recalls, lenders typically offered loans that covered 90 percent of the home-purchase cost; but today they may offer from 97 percent to 100 percent. Although expanded mortgage access and terms are a positive trend, the real estate agents and lenders who specialize in subprime loans compete with GHRP for customers.

Worse, some competitors in the real estate field take advantage of customers. Some raise appraisals above the actual houses' value, garnering more fees, and subsequently increasing the purchase price for borrowers who are already stretched financially.

GHRP's Current Strategy for Reaching Latino & Other Minority Homebuyers

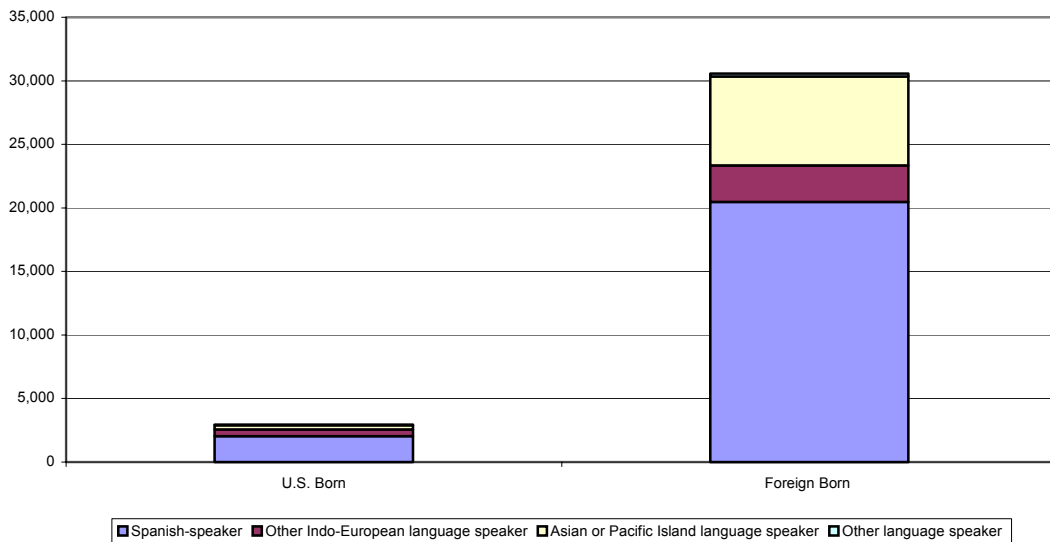
To ensure that Gwinnett County's low-income racial minority households can get advantageous loan products and make informed financial decisions, GHRP makes a determined effort to reach and communicate with minority groups. To reach Hispanics, the group uses the word-of-mouth approach, especially working through social service agencies, schools, employers, and even Girl and Boy Scout troops. In addition, GHRP placed notices and stories placed in local Spanish-language newspapers.

GHRP takes special effort to make its Latino clients feel comfortable. It offers monthly homebuyer seminars in Spanish (as well as English), with Spanish materials and instruction. To make the workshops convenient, GHRP conducts classes in the Human Service Centers located in the eastern and western sections of the county in addition to its Home Ownership Center. GHRP has marketed classes with the Latin American Association and Spanish-language churches. In 2002, 40 people (including members of couples) graduated from the Spanish-language seminars.⁵ Within the agency, a Latina receptionist and other bilingual staff members extend their welcome to recent immigrants who enter GHRP's doors.

⁴ GHRP, FCL Business Plan, 11.

⁵ The number of graduates of the English-language seminars was 180. GHRP, FCL Business Plan, 3.

Spanish-speakers are the largest segment of those speaking English "not well" or "not at all" in Gwinnett County (2000)



GHRP uses these same means to reach African-Americans, but especially tries to communicate through and with the churches that are so important to African-American society. GHRP's board and staff members take the organization's message to their own and other churches, where they talk to pastors and, when invited, communicate GHRP's mission during the minute-for-missions part of church services.

Currently, GHRP does not as yet have a permanent program for Asians, so it offers classes on a spot-basis and works with Asian social service centers for translation and general education. One of the challenges with assisting Asians in Gwinnett County is that they are of many ethnic and national backgrounds, requiring staff members who can speak Korean, Vietnamese, and Chinese, among other languages. In the last year, GHRP has worked with ethnically-oriented service organizations such as the Gwinnett Hispanic Advisory Council, the Latin American Association, The Mexican Center, the Hispanic Chamber of Commerce, and the Asian American Center in Lilburn.

Challenges Ahead

Beyond sending the word out to minorities, GHRP's staff reports that the thornier problem is changing the complex attitudes and life situations of their current and potential clients.

1. Social Norms

Sometimes the obstacle is simply naiveté. For example, one GHRP client, an African-American woman, reported that her real estate agent had generously showed her properties to buy and told her she wouldn't be charged for the service the first time. The client had not yet learned that potential homebuyers do not generally have to pay to see houses. First-time homebuyers of any ethnic or racial background must be well-informed if they are going to find their way through the real estate and financial thicket involved in buying a house.

Yet it is not easy to get unassimilated immigrants through the GHRP door to learn what they need to know. GHRP staff members shared that some customers, especially some recent Hispanic immigrants, take a relaxed attitude toward keeping appointments and attending classes regularly. For example, a Latina staffer who is a veteran of Latino nonprofit organizations, noted that out of 12 people who registered for a particular workshop, only 4 showed up. She then called each of the “no-shows” to make sure they could attend another time. In other cases, GHRP staff members have noted that clients have arrived hours late for sessions. (Some immigrants, it should be noted, are punctual and attend classes regularly.)

2. Predatory Market Channels

If it is difficult to get Hispanic immigrant clients to attend GHRP classes; it is even more difficult for the clients to overcome the impulse to trust unscrupulous agents — often because they have some personal or ethnic connection to these agents. For example, some of GHRP’s subprime competitors are Hispanic loan officers and real estate agents who work together and, by virtue of their similar language and background, earn the trust of recent immigrants.

3. Immigration Status

The tenuous legal standing of some Latino immigrants reinforces their tendency to make deals informally on the street. Nadine Lang, one of GHRP’s housing counselors, estimates that five of its seven Latino clients are undocumented, even though they often make a decent salary. Paid primarily in cash, they lack tax identification numbers and often citizenship papers. Unwilling to do business above-ground, where they fear they will be exposed to authorities who will deport them, undocumented immigrants turn to street lenders to whom they pay staggeringly large down payments (from \$20,000 to \$30,000) in cash.

4. Undocumented Income

In addition, many low-income minority clients have no record of their income or credit history. In particular, people from Latin American countries, where financial institutions were not always reliable, avoid banks and keep their savings at home, sometimes literally in their mattresses. If individuals are not here legally and/or work “under the table” (without paying taxes), they will try to pay cash for services and purchases. This method works fine until they need documentation to prove their ability to pay their debts.

5. Job Instability

But when one or both undocumented members of a household is injured or laid off from a job, they may default and lose both the home and the large amount of money that they sank into the purchase. In these circumstances, GHRP staff members find it very difficult to help their clients avoid default.

6. Reaching Mortgage-Ready Latinos

There is a strong moderate-income segment of the Latino community who do not view themselves as “low-income” or needing “social services” from a nonprofit agency, yet they are eligible for the education, counseling, and financial services GHRP provides. They are often targets for the subprime real estate professionals and needlessly pay more for their home purchases.

Looking Forward

The Gwinnett Housing Resource Partnership offers extensive help through training, counseling, and loans to low-income, racial minority (and majority) homebuyers in Gwinnett County. It is currently expanding its operations to become a broker of mortgages and, therefore, offer one-stop shopping to potential homebuyers. GHRP energetically works to get the word out about the agency's housing services to minority group members.

Although to date GHRP has only reached a small fraction of its potential clients, it is poised to increase the number of its customers. GHRP plans to triple the number of new homebuyers it serves from 100 in 2002 to 300 in 2005; expand the number of graduates of its Spanish language homebuyer seminars from 40 to 300; increase English language seminars from 180 to 480; and more than double the participants in its Financial Fitness and IDA courses to 125 and 65, respectively.⁶

This will only happen with a better understanding of the specific minority markets. In order to dramatically increase the number of minority clients it serves, GHRP must not only offer services but also assimilate the unassimilated. They must convince people who, whether by habit or necessity, do not interact with formal aspects of American society to enter the conventional financial world. These potential clients tend to think in the short-term, rely on personal connections, and have few, if any, relationships with formal institutions such as banks. If immigrants are undocumented, they exist completely or partly in the informal economy, working jobs that pay in cash, for example.

The GHRP staff is well aware of the difficulties of incorporating and keeping recent Latino immigrants into the mainstream house purchase process. To address the particular problems of Hispanic immigrants, instructors in the Spanish language homebuyer seminars "take special care to educate participants of the hazards of working with predatory lenders and stress the importance of patience in preparing for a sustainable first mortgage."⁷

GHRP's housing counselors work carefully to help undocumented clients work out their financial problems, including calling collections agencies on their clients' behalf, even as they encourage the clients to engage above-ground institutions as much as possible.

The questions that remain for GHRP: Is the agency's strategy sufficient to deal with people whose cultural attitudes, legal status, or economic circumstances might isolate them from the formal institutions and arrangements of American society? Will outreach, marketing, and education effectively bring such clients into the mainstream of the home-purchasing process?

Discussion Questions:

1. What are the challenges for GHRP in expanding Latino home ownership?
2. What strategies and tools are working?
3. What new strategies and tools are needed?

⁶ GHRP, FCL Business Plan, 3.

⁷ GHRP, FCL Business Plan, 13.

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