

Los Angeles Neighborhood Housing Services

By Alexander von Hoffman

In Los Angeles, California, Los Angeles Neighborhood Housing Services' challenge is to promote homeownership in a multicultural society, and to reach out to the area's diverse Asian population.

Introduction

The Los Angeles Neighborhood Housing Services (LA NHS) operates in the polyglot environment of Los Angeles County, where millions of immigrants have arrived over the last 20 years. Working in this environment poses the problem of how to reach the many and diverse ethnic groups that populate greater Los Angeles.

LA NHS has made a determined effort to reach Asians, and in particular Koreans, in the last few years. Staff members thought they had made the ultimate breakthrough in February 2002 when Korean television stations and newspapers publicized the role the agency played in assisting one Korean couple purchase a home, and thousands came to its door. But upon consideration, the staff concluded that television had attracted *too many* people. Since then, they have drawn up a targeted and measured approach to bring LA NHS's homebuyer education and services to Korean and other Asian Angelenos.

Los Angeles County

Los Angeles County, which includes Los Angeles as the nation's second largest city, is the large and populous core of the sprawling megalopolis of southern California. The county encompasses more than 4,000 square miles. It was inhabited, according to the 2000 U.S. Census, by more than 9.5 million people, and close to 3.7 million of these lived in Los Angeles proper.

With a powerhouse economy that produces everything from apparel to motion pictures, the county has been a magnet for the immigrants who came to America's shores in recent decades. In 2000, nearly 3.5 million people, or 36 percent of the county's population, were born outside the United States. More than 2 million of the foreign-born were not citizens, and 1.2 million, or almost 13 percent of the 2000 total, had arrived in the country within the previous 10 years. Most of the new arrivals came from south of the border, but a sizeable minority hailed from across the Pacific Ocean. Two million immigrants from Latin America made up 62 percent of those foreign-born, while another million from Asia comprised 30 percent of the new arrivals.¹

As a result of the influx of immigrants, Los Angeles County is one of the most ethnically and racially diverse areas in the country. Hispanics or Latinos (of any race) are the largest ethnic group in the county, comprising 45 percent of the total population. Although about three-quarters of Latinos are actually Mexicans, others come from several Central American and Caribbean countries. The next largest category is Asian, which includes more than 1.2 million people and

¹ U.S. Census Bureau, DP-2, Profile of Selected Social Characteristics: 2000 Data Set: Census 2000 Summary File 3 (SF 3); Los Angeles County, California.

makes up 12 percent of the total population. Even more than Hispanics, Asians come in many nationalities—Chinese, Filipino, Japanese, Korean, and Vietnamese, to name a few. Finally, slightly less than a million African-Americans live in Los Angeles County, making up 10.5 percent of the total population.² The following table illustrates the diversity of cultures and languages represented within Los Angeles County’s Asian population.

**Residents of Los Angeles County Born in East Asia,
 by County of Birth (2000)**

Country of Birth	Number	Percent of All East Asian Immigrants
Cambodia	24,081	3%
China	196,157	23%
Hong Kong	26,211	3%
Indonesia	11,838	1%
Japan	41,116	5%
Korea	145,669	17%
Laos	3,385	0%
Malaysia	3,681	0%
Philippines	202,568	24%
Taiwan	67,485	8%
Thailand	21,980	3%
Vietnam	96,029	11%
Total	840,200	100%

Source: Census 2000 Summary File 3, Table QT-P15.

Despite the tradition of single-family houses, the homeownership rate in Los Angeles County is not high. The surprising density of residential settlements within the county, as well as transiency and modest incomes of many residents, has created conditions conducive to renting and multifamily developments. The majority of occupied units were rented, with only 48 percent of all occupied units inhabited by their owners. Increasing home ownership in Los Angeles, therefore, is more difficult than one might expect.³

Los Angeles Neighborhood Housing Services’ Target Area

Within the vast service area of Los Angeles County, LA NHS has chosen particular clusters of communities to provide specific service and products. The target clusters are Crenshaw, San Pedro-Wilmington, Pacoima, Central Los Angeles/Metro, and Boyle Heights/East Los Angeles. These target areas are widely dispersed, but taken together they would be a large city. Their combined population in 2000 was more than 1.1 million people.

² U.S. Census Bureau, DP-1, Profile of General Demographic Characteristics: 2000 Data Set: Census 2000 Summary File 1 (SF 1); Los Angeles County, California.

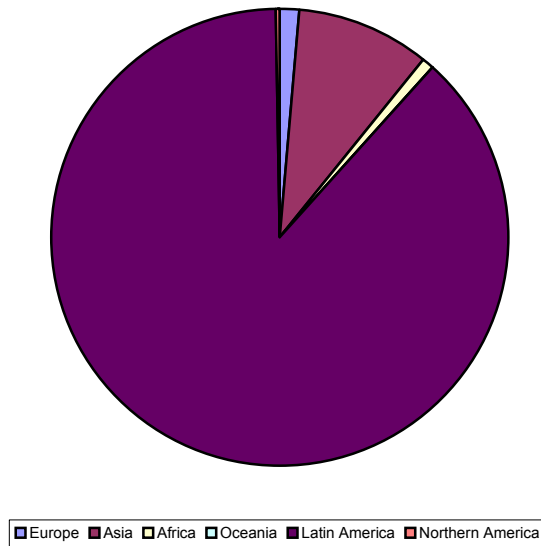
³ U.S. Census Bureau, Profile of General Demographic Characteristics.

Neighborhood Reinvestment Minority Home Ownership Case Study

Changing the Face of Home Ownership: Tools and Strategies

Nearly half a million residents of these areas were born outside the United States. By far the largest portion of the foreign-born residents, 88 percent, came from Latin America. The next largest group of foreign-born, making up 9 percent of the total was Asian. Of the total population of these target areas in 2000, Latinos of any race comprised about two-thirds of the population. African-Americans made up 21 percent of the total population, and Asians and Pacific Islanders about 6 percent.

Nearly 50,000 Asian immigrants are just one segment of LA NHS's target area's one-half million foreign-born residents

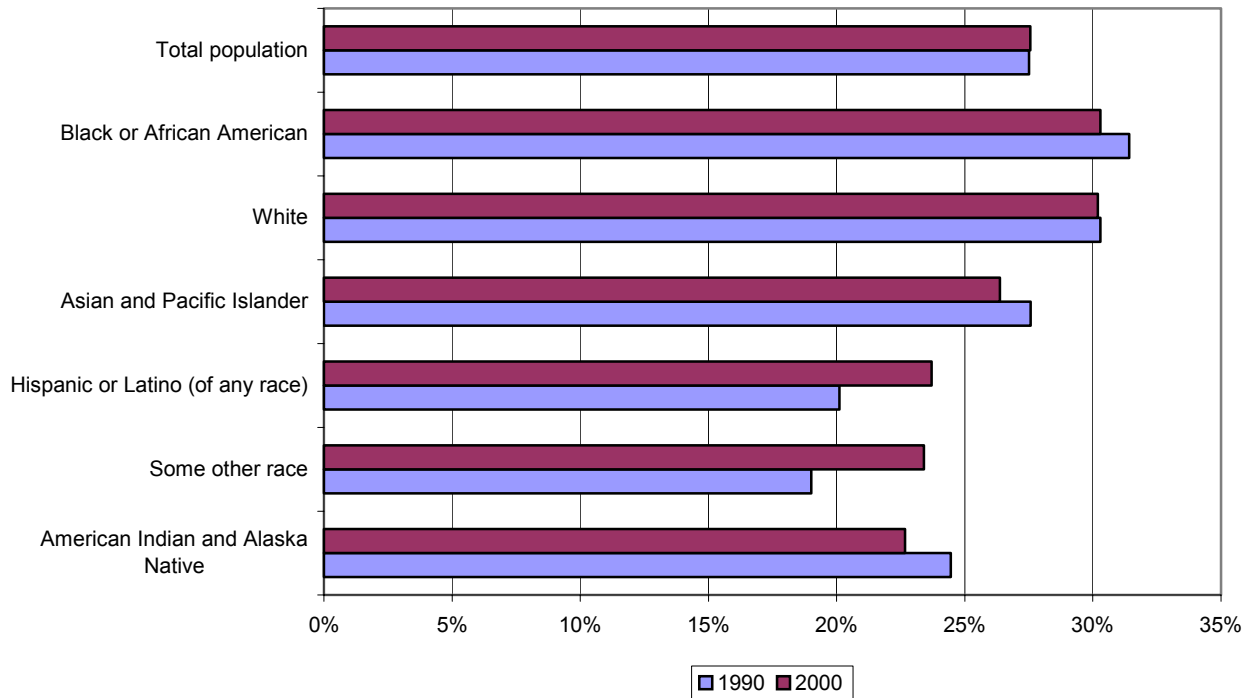


In LA NHS targeted communities, the home ownership rate was just 28 percent, having barely grown by a tenth of a percent from 1990 to 2000. The rates for whites and African-Americans were 30 percent, just above the average. The home ownership rate for Asians and Pacific Islanders was below average, 26 percent, and just slightly above the rate for Latinos at 23 percent.⁴

⁴ Los Angeles Neighborhood Housing Services, Inc., "Housing Data," n.d.

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For all groups in Los Angeles NHS's service area, home ownership rates are far below national rates. For several groups, rates declined 1990 to 2000.



Los Angeles Neighborhood Housing Services (LA NHS)

Incorporated in 1984, Los Angeles Neighborhood Housing Services (LA NHS) is a non-profit lender and developer operating in Los Angeles County. Its mission is to encourage local residents, business persons, and government officials to improve and restore neighborhoods and better the lives of families of modest means. It pursues this goal by developing and maintaining housing of good quality that persons with low and moderate incomes can afford, helping low- and moderate-income people purchase and maintain houses, providing financial education, and otherwise helping individuals and families in need increase their financial independence. Since 1990, the executive director of LA NHS has been Lori Gay, a long-time activist in the community development field.

LA NHS chose its target neighborhoods in the city of Los Angeles (Crenshaw, San Pedro-Wilmington, Pacoima, Central Los Angeles/Metro, and Boyle Heights/East Los Angeles) because of their geographic locations, economic conditions, and concentrations of low-income residents. In these neighborhoods, incomes are substantially below the incomes of surrounding areas (below 80% of the area median income in places), and employment opportunities and access to transportation and other services as not as good as in other parts of the County. LA NHS provides Full-Cycle Lending[®] services to the low-income residents of these target areas.

LA NHS is a large, high-volume organization. In 2002, it employed 37 staff members in its corporate office in central Los Angeles and its Home Ownership Centers in San Pedro and Pacoima. Over the last 18 years, LA NHS has served over 1.4 million families, developed and rehabilitated more than 6,700 housing and commercial units, established 154 block clubs, educated and counseled over 72,000 homebuyers, and employed more than 200 neighborhood young people. In the process, LA NHS has invested more than \$1.1 billion back into Los Angeles' neighborhoods.⁵

Originally, LA NHS was a single corporation, but in 1996, the board of directors decided to expand its operations by diversifying its products and services. In October 1996, LA NHS created two affiliate corporations, NHS Neighborhood Lending Services (NHSNLS) and NHS Neighborhood Redevelopment Corporation (NHSNRC). NHS Neighborhood Redevelopment Corporation (NHSNRC) provides services related to real estate development, real estate brokering, construction, and neighborhood revitalization. In 1997 both affiliates received their state licenses to operate as brokerage firms.⁶

NHS Neighborhood Lending Services

NHS Neighborhood Lending Services, Inc. (NHSNLS) offers lending and educational services, such as homebuyer education classes and home maintenance and insurance seminars. It is the largest purveyor of homebuyer training in Southern California. By maintaining a revolving loan fund and engaging in mortgage brokering, NHSNLS also provides affordable loans to consumers who cannot qualify for conventional loans. Its extensive educational efforts generate clients for these and other LA NHS lending programs.

In the Los Angeles target communities, NHSNLS has assigned local coordinators who help provide resident leadership training, organize block clubs, promote consumer education, form community coalitions, initiate neighborhood clean-ups and safety patrols, and other community development enterprises.⁷

In 1997 the Department of the Treasury certified NHSNLS (the lending and financial education affiliate) as a Community Development Financial Institution (CDFI), certification that has been renewed through August 2004. Access to CDFI funds enabled NHSNLS to expand the volume and extent of its lending in the Los Angeles area. NHSNLS, for example, offers down payment and closing cost assistance to first-time homebuyers and refinancing and home improvement grants and loans to homeowners. NHSNLS focuses on areas and clients whose median incomes were below 80 percent of the area median income.⁸

⁵ Los Angeles Neighborhood Housing Services, PowerPoint presentation, 2003; Los Angeles Neighborhood Housing Services, "Executive Summary," Community Development Financial Institution application grant, December 2001; Los Angeles Neighborhood Housing Services, Inc., Neighborhood Reinvestment Corporation profile, 2002.

⁶ Los Angeles Neighborhood Housing Services, "Executive Summary."

⁷ Los Angeles Neighborhood Housing Services, Inc., "Market Analysis," Community Development Financial Institution application grant, December 2001.

⁸ Los Angeles Neighborhood Housing Services, "Executive Summary;" Los Angeles Neighborhood Housing Services, "Community Lending," Annual Report, FY 2002-2002.

Enlarging the Territory Served

Even though the target areas were large, some of the people who attended NHSNLS’s consumer education courses purchased houses outside the target areas, and in some cases, outside Los Angeles County. Because these homes were often located in communities with characteristics similar to those of the target areas, NHSNLS’ staff decided to serve these clients whether or not they chose to live in the targeted neighborhoods. Thus, NHSNLS continues to market and reach out to residents of the target neighborhoods even as it pursues an expanded mission to serve all low-income clients in the county.

Increasing Resources Available for Low-Income Lending

As active as it is, NHSNLS lacks sufficient capital to make direct loans to all potential clients in its target market. Therefore, the corporation has adopted the strategy of partnering with private and public lenders to ensure there is enough lending capital available to all potential clients. NHSNLS works closely with conventional lenders by providing wholesale or retail brokering services, tandem lending opportunities, or serving as a contract agent for investors, such as the City of Los Angeles, that lack lending resources.

Challenge: Reaching Clients in a Multicultural Society

By volume and scope of activities, LA NHS is an extremely successful organization. However, it faces challenges in continuing to fulfill its mission. One of the major difficulties facing LA NHS is serving the diverse needs of the ever-changing cosmopolitan population of greater Los Angeles.

LA NHS has done well at connecting with African-American and Latinos, who make up close to 90 percent of its clients. Working through community organizations such as block clubs, neighborhood watch groups, and parent-teacher associations has helped to bring tens of thousands of visits and phone calls to LA NHS offices. In regard to Latinos, the organization has been sensitive to the different nationalities of Latin American immigrants. Thus, not only does LA NHS offer its printed materials in Spanish, but it also employs staff from different countries. Staff members are well aware that the cultures and attitudes of people from Mexico, Nicaragua, and El Salvador differ from one another.

**Los Angeles Neighborhood Housing Services
 Services Provided in FY02-03 by Type and Client Race/Ethnicity**

Race/Ethnicity	Homebuyer Education	Post-Purchase Counseling	One-on-One Counseling	# Loans Funded	Total Value Of Loans	Total Value of Real Estate Services
Hispanic/Latino	1,002	896	424	140	23,216,974	7,481,927
African-American	979	875	414	136	22,689,316	7,655,926
Asian/Pacific Islander	229	204	97	11	1,582,978	521,995
Caucasian	68	61	29	33	5,276,584	1,739,983
TOTAL	2,278	2,036	964	320	\$52,765,852	\$17,399,831

Source: Los Angeles Neighborhood Housing Services unpublished report.

However, reaching across the spectrum of Asian nationalities has not been as easy. In the last year 10 percent of those taking the homeowner training were Asian, but only 3 percent of the lending clients and real estate buyers. Although LA NHS has always been dedicated to reaching all people of low incomes and helping them purchase homes and improve their neighborhoods, at first the organization's Asian clients tended to be mainly Japanese. The agency had good relationships with Japanese banks, which inclined it toward the Japanese, but the staff felt it was not getting very far. Many of the Japanese spoke English, it turned out, and did not need special language programs and materials.⁹

Reaching the Koreans of Los Angeles

About seven years ago, LA NHS's chairman of the board, a Chinese woman, approached LA NHS's director, Lori Gay, and urged that the organization make a concerted effort to broaden its reach to Asians beyond Japanese. Many Chinese and Korean immigrants had low incomes and perhaps as many as 20 percent of Crenshaw residents were Japanese and another 10 percent are Korean. But Gay had as yet few staff members who possessed the cultural or language skills and experience needed to reach these groups.

There were several barriers to reaching potential Korean homebuyers. For one thing, Koreans were known as the shopkeepers of the inner city, and were resented by many African-American and Latino residents of the neighborhoods. Not all were shopkeepers, however, and some were in financial need. In addition, Koreans were served by Korean financial institutions, which made it difficult for LA NHS staff members to identify the underserved within the Korean immigrant population.¹⁰

Print Advertising Fails

At first LA NHS tried placing advertisements and notices in Chinese and Korean newspapers such as the *Korean Daily News*, but received little response to its efforts. LA NHS was seen as a charitable agency for the poor, and poverty was considered a dishonorable state in many Asian cultures. Many potential clients disliked the connotations of getting help from an agency they felt served the low-income population, even if they qualified as low-income themselves. And even if they were tempted, the staff of LA NHS did not include Chinese and Koreans and still seemed alien to their particular national cultures.¹¹

Partnering with Asian Community Agencies

LA NHS then adopted a strategy of approaching the different Asian groups through the nonprofit organizations that served their communities. This approach was similar to, although not exactly the same as, the methods the agency had used to reach Latinos.

In this case, LA NHS worked through social service agencies, such as the Little Tokyo Service Center, Chinatown Service Center, and the Korean Youth Community Center, as well as ethnic chambers of commerce. LA NHS met with officers and staff of these groups, who became enthusiastic about the first two steps of the NeighborWorks® Full Cycle LendingSM system, which involve building partnerships and pre-purchase homebuyer education. The community agencies allowed LA NHS to present their services and recruit clients at their events.

⁹ Lori Gay, telephone interview with author, Los Angeles, California, August 4, 2003.

¹⁰ Gay, telephone interview.

¹¹ Gay, telephone interview.

This kind of community sponsorship paid off, and LA NHS found that the organizational images and ethnic differences that had been barriers before were no longer problems. For example, LA NHS sent its director of education, an African-American man, to the Chinatown Service Center, which provided someone to translate his homebuyer presentation into Mandarin. The Chinese who came to hear him enjoyed the presentation greatly and insisted that he, not an ethnic Chinese person, deliver the presentations in the future.¹²

A Breakthrough in Korean Media Brings a Deluge of Interest

The breakthrough in LA NHS's efforts to reach Los Angeles-area Koreans came in February 2002 when a Korean couple's home purchase was greeted with extraordinary publicity. Naomi and Jae Beck were a working-class couple who never expected they would be able to buy a house. For the last 12 years Naomi had been a nurse at Shriners' Hospital, and Jae managed a garment factory. Attracted by a small advertisement in the *Los Angeles Times*, Naomi Beck attended the LA NHS two-day homebuyer-education class and learned from NHS staff that her and her husband's income and work history qualified them for a home loan.

After some searching, the Becks found a three-bedroom house, which although in poor condition, was located near their daughters' school in the Sunland neighborhood in the San Fernando Valley. In January 2002, the Becks purchased with a first mortgage from LA NHS and a soft second mortgage from the city of Los Angeles through a program that encourages residents to purchase in neighborhoods targeted for revitalization. The Becks' monthly mortgage payment of \$1,018 was only \$68 more than the amount they previously paid for rent. The rehabilitation of the Becks' home, which LA NHS monitored, included a new kitchen, flooring, bathrooms, garage, and a fireplace.

Needless to say, the Becks were delighted, and in February 2002, they held a press conference at which—thanks in part to Naomi Beck's activity in the Korean community—they were interviewed by Korean media such as *The Korean Times* and Korean Television Enterprises, Ltd. As a result, a flood of people showed up at the doors of LA NHS. Some 400 Korean residents appeared for an introductory seminar on home ownership, and within the next few weeks more than 3,200 Korean families arrived to find out about LA NHS' homebuyer education program and to get prequalified for home financing. LA NHS was overwhelmed and had to conduct some of its classes in the parking lot next to its headquarters.¹³

Although it seemed a great accomplishment, LA NHS staff members knew that in fact few loans would result from the publicity and large numbers of people who had discovered their office. Many of the people who had learned of the Becks' home purchase on television were under the erroneous impression that the couple had received a free home. Others were disappointed to learn that the city of Los Angeles program only applied to purchases within the city's boundaries. The numbers coming to their door were a stretch even for this high-volume organization. Despite the thousands who came, LA NHS only processed two loans in the first ninety days after the big event, and added a mere dozen afterwards. The staff members had had similar experiences in the past, and this event confirmed their judgment that television was not the best medium to let the public know of their products.¹⁴

¹² Gay, telephone interview.

¹³ Written Testimony of Lori Gay, Executive Director, Los Angeles Neighborhood Housing Services, Submitted to the U.S. House of Representatives Committee on Financial Services Subcommittee on Housing and Community Opportunity, April 8, 2003.

¹⁴ Gay, telephone interview.

A New Strategy: Targeted and Measured

Having learned from such experiences, the staff expanded its strategy to reach Asians, particularly Koreans, and developed a new strategy that contains three important elements.

First, LA NHS remained committed to approaching Koreans in Korean and with Koreans, if at all possible. It produced Korean language versions of its printed materials and hired Korean staff members—and took on Naomi Beck as a volunteer worker.

Second, the agency emphasized cultivating relationships with Korean organizations. This targeted approach gave LA NHS an entrée and allowed its message to come through clearly. For example, the Korean Christian Community Development Association hosted a homebuyers' fair to which community groups were invited and at which LA NHS could make its presentations to 600 to 700 people.

Third, LA NHS took a measured approach. It limited most of its efforts for Koreans to homebuyer education and financial literacy classes. Although LA NHS offers direct mortgage assistance, its officers believe that there are private lenders, such as Wells Fargo, who can take much of the actual Korean business. LA NHS would rather work with such financial institutions—many of which have done little to reach the local ethnic groups—to take them on. This may mean sorting out clients' financial histories, which may involve accounting for income from the informal economy.

Fourth, and finally, LA NHS tries to establish and work through each nationality's financial and housing companies. It aims to stay as close as possible to the various Asian-nationality banks, insurance companies, and financial service providers. LA NHS also will work with Asian developers and construction companies, when possible. It maintains a short list of Korean and Chinese contractors, for example, whom staff members have been educating about local building codes.

Looking Forward

Having successfully figured out how to reach Korean clients, LA NHS would like to make inroads into other Asian immigrant groups in greater Los Angeles. The agency now plans to use a targeted and measured strategy, similar to the approach it used with Koreans, to connect with Philipinos, Cambodians, and Vietnamese. But it will take time to learn about the cultural norms and conditions of each ethnic group, hire people who know the national languages, and cultivate relationships with each group's agencies and financial institutions. But that is the challenge of working in the vast and ever-changing multicultural society that is Los Angeles.

Discussion Questions:

1. What are the challenges for LA NHS in expanding Asian home ownership in the Los Angeles area?
2. What strategies and tools are working?
3. What new strategies and tools are needed?

Sources:

- Lori Gay, telephone interview with author, Los Angeles, California, August 4, 2003.
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