



**Prepared Testimony of A.W. Pickel, III,**

**President of the**

**National Association of Mortgage Brokers**

**on**

**"Protecting Homeowners: Preventing Abusive Lending**

**While Preserving Access to Credit"**

**before the**

**Subcommittee on Housing and Community Opportunity and the Subcommittee on  
Financial Institutions and Consumer Credit**

**Committee on Financial Services**

**U.S. House of Representatives**

**Wednesday, November 5, 2003 RHOB 2128**

Good morning Chairman Bachus, Chairman Ney, and members of the committee. My name is A.W. Pickel, III, President of the National Association of Mortgage Brokers (NAMMB) and President of Leader Mortgage Company in Lenexa, Kansas. Thank you for inviting NAMMB to testify today on the very vital issues pertaining to the prevention of abusive lending practices, preserving access to consumer credit and protecting homeowners in America.

I want to commend both of you for your leadership on this issue, as NAMMB believes that vetting the issues relative to abusive lending practices is the key to prevention and the disgorgement of abusive lending tactics. I also want to thank you for including NAMMB in the series of predatory lending roundtable discussions you have held over the past few months. We appreciate your continued efforts to provide a forum in which interested parties can discuss these issues in an effort to protect consumers.

NAMB is the nation's largest organization exclusively representing the interests of the mortgage brokerage industry and has more than 16,000 members and 46 state affiliates. We represent mortgage brokers in all 50 states and in the District of Columbia. NAMB believes that abusive lending practices committed by anyone or any entity hurt consumers and adversely affect the reputation and public perception of all mortgage industry participants. We support efforts to expose abusive lending practices and combat abusive tactics provided that these efforts do not inadvertently cut off credit access to consumers or inhibit the ability of the mortgage finance industry to continue to work with consumers through the homebuying process.

With the homeownership rates rising in America to 68.4% in the third quarter,<sup>1</sup> it is imperative that consumers trust in the integrity of those in the mortgage industry so that the homeownership rate will continue to rise and consumers will continue to experience the joys of homeownership. While many factors have contributed to this record increase in homeownership, one of the principal factors has been the rise of wholesale lending through mortgage brokers. Today, mortgage brokers originate two out of every three mortgage loans. In 2002, there were 44,000 mortgage brokerage companies that employed an estimated 360,000 people. Since mortgage brokers represent 65% of the home loans originated in 2002, it is not surprising that mortgage brokers originate more mortgages than any other single loan source group in this nation.

## **THE ROLE OF MORTGAGE BROKERS**

A mortgage broker is an independent real estate financing professional who specializes in the origination of residential and/or commercial mortgages. A mortgage broker is also an independent contractor who markets and originates loans offered by multiple wholesale lenders. We can offer consumers superior expertise and assistance in getting through what can be a very tedious and complicated loan process.

Mortgage brokers serve a very significant role to the consumer throughout the mortgage process. They spend a significant amount of time with mortgage applicants, working through credit problems with them, assisting those having no credit histories, and helping them finance the purchase of their home. Before a consumer applies for a mortgage loan, mortgage brokers often work with these consumers to help them review and correctly dispute their credit when necessary.

A mortgage broker does not simply press a few keys to provide the consumer with a mortgage loan. Nor are mortgage loans akin to products that can be picked from a shelf and paid for at checkout. Mortgage brokers perform a vital and unique role in assisting consumers in obtaining a mortgage loan.

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<sup>1</sup> U.S. Census Bureau, third quarter, 2003.

## **THE ROLE OF MORTGAGE BROKERS IN COMBATING ABUSIVE LENDING**

NAMB is committed to preventing abusive lending practices from destroying the dream of homeownership for American families. We recognize that there are families that have suffered because of abusive lending practices, and we deplore these practices. Abusive lending practices strip borrowers of home equity and threaten families with foreclosure, destabilizing the very communities that are beginning to enjoy the fruits of our nation's economic success. The vast majority of mortgage lenders and mortgage brokers are honest and provide services to their customers with integrity. If consumers did not feel mortgage brokers were delivering on what was promised, they would not reward them in the market. As every industry has some bad actors, NAMB wants to weed out these unscrupulous actors so that they cannot prey on vulnerable homeowners. NAMB believes abusive lenders should not be tolerated in our industry or in any other industry.

NAMB believes that industry self-regulation can play an integral role in efforts to combat abusive lending practices. As we recognize, buying or financing a home is one of the largest, most complicated and vitally important decisions facing consumers in this country. We believe that an informed and educated consumer is better off during the home buying process, however, we also believe it is essential that residential mortgage loan originators who work directly with these homebuyers are educated, honest, and nothing short of professional.

Before residential loan originators deal with a potential or current homeowner, they must have formal training, and should be tested on their knowledge of matters including financial analysis, ethics, federal and state disclosures, real estate law, and mathematical computations germane to real estate and mortgage lending.

As such, in 2002, NAMB introduced its Model State Statute Initiative (MSSI) on licensing, pre-licensure education and continuing education requirements to protect consumers and ensure originator competency. Through MSSI, NAMB seeks to have individual state statutes enacted that require pre-licensure education and mandate continuing education requirements for all residential loan originators. This model statute would serve as a model for state regulators and legislators whose states do not have such statutes or whose states need to improve their statutes to protect and better serve the community. NAMB believes that such an initiative will serve to help reduce the incidence of abusive lending practices and improve the overall competency of the industry.

NAMB is also leading an industry effort to create a nationwide registry of mortgage originators and companies. NAMB supports a federal registry of all loan originators. We believe a nationwide registry will give mortgage industry professionals an avenue to report unscrupulous actions by other mortgage professionals, and help to police itself and eliminate bad actors from its ranks.

In addition, NAMB believes it is imperative for consumers and for the integrity of the profession that its members adhere to a set of best practices. Last year, NAMB

participated in the Predatory Lending Roundtable sponsored by federal regulators, whereby we discussed the merits of developing a national code of best practices to address predatory lending. As a requirement of NAMB membership, all members and their employees subscribe to the "Best Lending Practices Guidelines."<sup>2</sup> We encourage homebuyers to look for adherence to these guidelines as important selection criteria when choosing a mortgage broker.

Furthermore, members of NAMB must also adhere to the Code of Ethics of NAMB and of their affiliated state associations, reflecting professionalism, honesty, and integrity among brokers.<sup>3</sup> Finally, NAMB has implemented a Model Loan Origination Agreement in an effort to help inform consumers about the role of the mortgage broker and how a broker is compensated.<sup>4</sup>

## **DEFINING THE PROBLEM**

Abusive lending practices occur in all areas of mortgage lending, although most attention today has been given to those practices taking place in the subprime market. Although we believe the incidence of abuse is very small relative to the whole industry, we believe that any abuse committed against consumers is too much. Some of the barriers to fair lending include addressing the complexity of the mortgage process and the insufficient enforcement of existing laws.

The mortgage process can be a difficult experience for consumers. Mortgage brokers spend a significant amount of time with consumers to help them understand the complicated mortgage process. They talk with consumers and walk them through the many facets of purchasing a home so that the consumer has a better understanding of each step of the process and is comfortable. NAMB has long supported the reform of mortgage laws and has participated in broad industry initiatives to facilitate comprehensive mortgage reform. We believe any proposal to reform the current mortgage laws should enhance consumer choice, clarify the process, and enable small businesses to continue to engage with consumers in mortgage transactions.

NAMB believes existing laws should be better enforced by state and federal regulators as a means to eliminate a great deal of abusive lending practices. Federal fair lending and consumer protection laws, such as the Fair Housing Act, the Equal Credit Opportunity Act, the Truth in Lending Act as amended by the Home Ownership and Equity Protection Act (HOEPA), and the Real Estate Settlement Procedures Act all provide substantive protection to borrowers. These laws provide disclosure requirements, define high cost loans, and contain anti-discrimination provisions. Many of the abusive lending practices that are taking place often involve outright fraud, in addition to misleading and deceptive sales and marketing practices, which are already illegal. Although the mortgage lending industry is heavily regulated through these laws, the perpetrators often ignore these laws and go unpunished for their violations.

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<sup>2</sup> Attachment 1, NAMB, Best Lending Practices Guidelines.

<sup>3</sup> Attachment 2, NAMB, Code of Ethics.

<sup>4</sup> Attachment 3, NAMB, Model Loan Origination Agreement.

There is a serious lack of enforcement of these laws. This current lack of enforcement creates an environment whereby abusive lenders continue to cultivate, from which consumers will suffer the consequences.

Many current state and federal proposals to address abusive lending practices would not necessarily prevent abusive lending practices, but could in fact, be harmful to consumers by restricting their choices of loan products and terms. Many of these laws only add to restrictions on law-abiding legitimate originators, while doing nothing to stop the truly unscrupulous lenders who will simply ignore the new law.

## **SUBPRIME LENDING**

There has been widespread confusion as to the terms “subprime” and “predatory” as many reports of unfair lending are alleged to have come from subprime loans. Conventional borrowers, however, can also experience abusive lending practices. Although numerous state and federal laws regulate mortgage lending, these laws and regulations do not define predatory lending. Abusive lending often involves certain products that are used improperly through unfair marketing tactics, collection practices, and loan terms that, when combined, deceive and exploit borrowers.

Subprime lending on the other hand, is usually linked to the credit status of the borrower. That is, subprime lending often serves the market of borrowers whose credit history would not permit them to qualify for the conventional "prime" loan market.

Subprime loans are inherently riskier than loans made in the prime market. Generally, the risk associated with subprime loans can be attributed to borrowers' tarnished credit records or uncertain income prospects. Subprime loans naturally feature pricing and other contract terms that either compensate for or are intended to lessen some of these risks.

To a great degree, the rapid growth in subprime lending has been fueled by technological changes. The most prominent of these changes has been the widespread use of credit scoring models that permit lenders to determine efficiently and quickly the appropriate pricing for a subprime loan. Prior to the advent of these tools, the loan application most likely would have simply been denied. Despite the growth of subprime lending, it should be remembered that such loans still represent only a small portion of the overall mortgage market.

The great majority of subprime lending today results in benefits to consumers at reasonable, appropriate risk-based prices. Consumers with blemished credit that do not qualify for conventional, “prime” market loans still deserve the opportunity to obtain credit and experience homeownership. Subprime lending has expanded affordable credit for many consumers who otherwise would have no other option to obtain credit. It is imperative that any proposal to address abusive lending is carefully considered as to not restrict these consumers from credit.

## **ADDRESSING THE PROBLEM**

Many proposals have been introduced on the state and local level in an effort to provide consumer protection against abusive lending practices in connection with mortgage loans. Some proposals ban such practices as balloon payments and prepayment penalties while others prohibit the charging and/or financing of certain fees. While well-intended, outright prohibitions of such practices could unduly limit credit availability or increase the cost of credit to the same consumers that we are trying to protect. For example, a loan amortized over 30 years with a balloon payment due after 5 years is a valuable tool to help a borrower obtain a lower interest rate and lower monthly payments while at the same time giving the borrower time to repair his/her credit. Many reputable, mainstream lenders offer balloon loans to consumers in all credit grades, because they are good options for consumers in many cases.

The same is true for other loan terms or conditions frequently cited as abusive, including negative amortization, prepayment penalties, financing of closing costs, and even arbitration clauses. In certain circumstances, each of these may be abusive, but in many cases they provide the consumer with a feature that fits his or her unique circumstances, such as a reduced interest rate or lower monthly payment.

Whether a loan is abusive is a question that turns on the context and circumstances, from case to case. For example, a balloon term in a given loan could be abusive if the borrower has not been advised that the loan contains such a feature and is not prepared for the practical ramifications. Further, it may be that the borrower's situation does not make such a feature appropriate. These types of abusive lending tactics cannot be tolerated.

We strongly believe that one cannot define any loan as "predatory" or abusive based simply on the rate, points, or fees involved, or because the loan includes a feature such as a balloon, a prepayment penalty, negative amortization, or financing of closing costs. Rather, the abuse comes from the lender fraudulently deceiving the consumer by providing misleading or inaccurate disclosures, failing to accurately describe the loan terms, unfairly pressuring the consumer to take a loan, and/or failing to highlight the consumer's right of rescission. In many of these cases, the consumer has also failed to fully understand the terms and details of the loan or shop for a better deal, which is why consumer financial education is a necessity.

## **CONSUMER EDUCATION**

The Department of Housing and Urban Development (HUD) Secretary Mel Martinez put the issue of education in focus when he said, "Education is key. Studies show that consumers who understand the home-buying process are more likely to buy a home they are happy with and less likely to be taken in by predatory lenders."<sup>5</sup>

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<sup>5</sup> Department of Housing and Urban Development, "Blueprint For the American Dream," September 24, 2002.

A major tool to combat abusive lending practices is to improve consumer awareness through education. Informed consumers are in a better position to protect themselves from abusive lending practices. Certainly, it is imperative that the industry reach out to the people most frequently targeted by predatory lenders - low- and moderate-income households, the elderly and underserved communities in urban and rural areas.

NAMB strongly advocates that our members never originate a loan to an uninformed consumer. Since mortgage brokers originate more than 65% of homes, we believe that we are in a unique position to provide education about homeownership to consumers. We support the efforts by President George W. Bush to promote education, including the education of owning a home and the education of buying a home throughout our society.<sup>6</sup> Earlier this year, NAMB engaged in a commitment for a new consumer education program, "*Are You Prepared to Head Down the Road to Home Ownership?*"<sup>7</sup> in an effort to promote homeownership to potential homebuyers from inner city and urban populations. The program provides potential homebuyers with basic information to help them make informed choices when buying a home and to avoid abusive lending practices. This program was developed to answer President Bush's call through the Blueprint for the American Dream to help close the minority homeownership gap in America. In the one-hour presentation, a mortgage broker explains to consumers industry terminology, highlights the home buying process, including what the process entails, explains the credit check process, and goes over the expenses associated with homeownership.

NAMB's website includes extensive consumer information and links to sites that provide consumers a wealth of information they can use to make informed mortgage choices. The NAMB Mortgage 101 Center provides consumers with information from one of the mortgage industry's most popular and reliable online resources. The website provides consumers with information, in an unbiased manner, about completing applications, the purpose of an appraisal, bankruptcy and its alternatives, mortgage calculators, down payments, FHA loans, loan programs, refinancing, relocation, second mortgages, VA loans and many other topics.

NAMB supports industry efforts to educate homebuyers on selecting a good-quality mortgage loan and efforts to educate consumers on how to avoid being a victim of abusive lending tactics. Fannie Mae, with its "Consumer Bill of Rights" campaign and Freddie Mac with its "Don't Borrow Trouble" campaign are putting millions of dollars into educating people about how to choose a good mortgage loan and avoid being victims of abusive lending practices. We also commend HUD for its recent introduction of a new education piece for consumers, "Don't Be a Victim of Loan Fraud – Protect Yourself from Predatory Lenders," which educates consumers on how to avoid becoming victims of predatory lending. HUD's pamphlet describes nine different types of predatory lending, offers 11 tips on being a smart consumer and describes seven tactics commonly used by predatory lenders in an effort to help consumers avoid loan fraud.

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<sup>6</sup> Remarks by President George W. Bush, St. Paul AME Church Atlanta, Georgia, June 17, 2002.

<sup>7</sup> Attachment 4, NAMB, "Homeownership Education: Where the American Dream Becomes Reality."

It is also essential for consumers to understand how to use credit, and the significant impact their credit has on their ability to obtain a mortgage at the lowest cost. NAMB supports efforts to educate consumers on broader financial issues, such as managing money, managing credit card debt, and other important issues. Ideally, these areas should be taught routinely as part of the standard junior high school or high school curricula in schools. Last year, the President signed the “No Child Left Behind Act,” which included a new program to promote economic and financial literacy among students from kindergarten through grade 12 through teacher training, research, assessment, dissemination of best practices, and partnerships between private and public entities at the national, state, and local levels through a grant process. Educating consumers in economics and personal finance in every stage of life, beginning in the younger years, is vital to our nation’s future. Indeed, it is an essential key to building a nation of knowledgeable investors and savers, informed and responsible consumers, productive members of the workforce and effective participants in the nation’s economy.

NAMB supports pending federal legislation that includes provisions to address financial literacy. Such provisions are included in the House and Senate Fair Credit Reporting Act/identity theft legislation. The House legislation includes a provision directing the General Accounting Office to conduct a study on the need and the means for improving financial literacy among consumers, including consumer knowledge of credit reports, credit scores, the credit dispute resolution process, and methods for improving financial literacy. The Senate legislation includes a provision that calls for the creation of a Financial Literacy and Education Commission to develop a national strategy to promote financial literacy and education for consumers. In an effort to improve financial literacy and education, the newly established Commission shall emphasize, among other elements, basic personal income and household money management and planning skills, including how to avoid abusive, predatory, or deceptive credit offers and financial products. These financial literacy provisions are important steps and can be used as valuable tools to help educate consumers in preparation of purchasing a home.

## **PREEMPTION**

The passage of state laws and ordinances by cities has also resulted in concerns about the difficulties lenders face in attempting to comply with a patchwork of state and local laws. NAMB is increasingly concerned about the proliferation of state and local initiatives that purport to address predatory lending. Mortgage lending has become largely a nationwide industry, with a number of lenders operating in all 50 states. It will be incredibly burdensome and confusing to lenders if they have to begin complying with 50 different state and local lending restrictions, a result from which consumers will ultimately suffer. Overreaching state and local laws will only disrupt the market, preventing lenders from offering borrowers legitimate nonprime products, and increasing loan costs for consumers. We believe the record levels of homeownership in the United States can be attributed to the vibrant and competitive mortgage market. The importance of preemption can be seen in the recent actions of the federal financial regulators in enacting swift state law preemption directives. A level playing field for all market participants is needed to keep the flow of capital to the mortgage market, enabling competition to keep



market players and rates in check and allowing consumers to have continued access to credit.

## **CONCLUSION**

We are deeply troubled by the continued reports of abusive lending practices in the mortgage industry. Consumers should not have their dream of homeownership ruined by unscrupulous players in the mortgage industry. It is, however, important to emphasize that addressing abusive lending requires a balanced response and being cognizant of the complex national system of financing in this country that is the envy of the world. NAMB urges increased enforcement of existing abusive lending prevention laws, enhanced consumer education and simplification of the mortgage process, and industry self-regulation as key tools to address predatory lending issues.

Any efforts to address abusive lending practices cannot cut off access to consumer credit. Subprime lending has many desirable benefits, and we would not want to adopt draconian policies that extinguish or greatly curtail legitimate subprime business. At the same time, we must remain alert to the potential for abuse. Combating abuse calls for a comprehensive, multi-dimensional strategy, and one that employs the most effective tools available to the regulatory, legal, and educational communities. It is the duty of all participants in the mortgage community to maintain the integrity of our credit systems, and to thwart participants that do not honor these systems.

Thank you for giving me the opportunity to testify this morning. I would be happy answer any questions you may have.

# Attachment 1

## BEST LENDING PRACTICES GUIDELINES

[name], a member of the National Association of Mortgage Brokers, and [job title and company name], a properly licensed/authorized entity, adheres to the Code of Ethics of NAMB and of my affiliated state association. Furthermore, as a requirement of NAMB membership, I hereby subscribe [company name] and its employees to the following "Best Lending Practices Guidelines." We will...

- Disclose accurate information in all solicitations and advertising;
- Discuss and explain financing program options;
- Inform you, in writing, of lock-in options;
- Explain all documents of the loan application;
- Explain all associated costs of the loan application;
- Explain the disbursement of all loan applications;
- Explain the loan process, from application to closing;
- Charge only those fees which are disclosed or re-disclosed on your good faith estimate;
- Charge rates and fees that do not vary based on race, color, religion, natural origin, gender, marital status, age, receipt of income from public assistance programs, or good faith exercise of rights under consumer finance laws;
- Communicate with you throughout the loan process in a timely manner;
- Commit to be your financing resource before, during, and after your transaction.

## Attachment 2

### NAMB CODE OF ETHICS

The members of the National Association of Mortgage Brokers, believing that the interests of the public and private sector are best served through the voluntary observance of ethical standards of practice, hereby subscribe to the following Code of Ethics.

#### HONESTY & INTEGRITY

NAMB members shall conduct business in a manner reflecting honesty, honor, and integrity.

#### PROFESSIONAL CONDUCT

NAMB members shall conduct their business activities in a professional manner.

#### HONESTY IN ADVERTISING

NAMB members shall endeavor to be accurate in all advertisements and solicitations.

#### CONFIDENTIALITY

NAMB members shall avoid unauthorized disclosure of confidential information.

#### COMPLIANCE WITH LAW

NAMB members shall conduct their business in compliance with all applicable laws and regulations.

#### DISCLOSURE OF FINANCIAL INTERESTS

NAMB members shall disclose any equity or financial interest they may have in the collateral being offered to secure a loan.

## Attachment 3

# NAMB MODEL MORTGAGE LOAN ORIGINATION AGREEMENT

(MUST BE ADAPTED TO CONFORM TO APPLICABLE STATE LAW)

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 (Name of Company) on \_\_\_\_\_(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 market place or (ii) other 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**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Address:

#### **APPLICANT(S)**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Address:

*“Education is key.”*

— HUD Secretary Mel Martinez

A major way to combat abusive lending practices is to improve consumer awareness.

**Are You Prepared to Head Down the Road to Home Ownership?** will help educate consumers on the home buying process so they can make informed choices and protect themselves. An informed consumer is almost never a victim of an abusive or predatory loan. NAMB encourages its members to never originate a loan to an uninformed consumer. This program helps take away some of the complexities of the mortgage process.

**NAMB believes that the barriers to fair lending are threefold:**

1. **Complexity** of the mortgage process itself
2. **Insufficient enforcement** of existing laws
3. **Lack of consumer awareness** about loan products and terms

We believe all three of these areas must be addressed, together and with equal force, if the problem is to be solved. This education initiative is just one major step in the fight as the mortgage broker industry works vigorously in all three areas – in particular, with HUD and Congress to reform and simplify the mortgage process.



NAMB currently has more than 15,000 members and 46 affiliated state associations nationwide. NAMB provides education, certification, industry representation, and publications for the mortgage broker industry. NAMB members subscribe to a strict code of ethics and a set of best business practices that promote integrity, confidentiality, and above all, the highest levels of professional service to the consumer

## AIG United Guaranty

### About United Guaranty

Subsidiaries of United Guaranty Corporation write mortgage guaranty insurance for first- and second-mortgage loans. Mortgage insurance provided by triple-A-rated United Guaranty Residential Insurance Company (UGRIC) enables home buyers to purchase homes with low down payments, expanding home affordability for Americans in all income ranges. Based in Greensboro, NC, both United Guaranty and UGRIC are member companies of American International Group, Inc. (AIG), the leading U.S.-based international insurance organization and the largest underwriter of commercial and industrial coverages in the United States.

### PLEASE JOIN OUR MISSION

To promote homeownership to potential homeowners emerging from inner city and urban populations through community-based education.



Visit [www.namb.org](http://www.namb.org) for more information about how you can be a part of assisting low-to-moderate income and minority potential homeowners on their road to the American Dream of homeownership.



## Homeownership Education:

*Where the American Dream  
Becomes Reality*



# PLEASE JOIN OUR MISSION

To promote homeownership to potential homeowners emerging from inner city and urban populations through community-based education.

*"One of the things we are going to do is we're going to promote education, the education of owning a home, the education of buying a home throughout our society."*

— President George W. Bush, June 17, 2002

**The National Association of Mortgage Brokers (NAMB) has partnered with United Guaranty (UG) in a commitment through 2010 to increase home financing education to minorities, immigrants, and low-to-moderate income borrowers.**

This partnership was formed to answer President Bush's call through Blueprint for the American Dream to help close the homeownership gap in America.

Our nation enjoys an all-time record rate of homeownership, but more needs to be done to help minority and low-to-moderate income borrowers obtain the American Dream of homeownership. While many factors have contributed to this record of success, one of the principal factors has been the rise of wholesale lending through mortgage brokers. This is why mortgage brokers, who originate more than 55% of all home loans, are the perfect vehicle to provide grassroots education about the facts of homeownership to those individuals and communities who need it most.

NAMB and UG have identified target markets and are diligently working with local government officials and minority community leaders to bring Are You Prepared to Head Down the Road to Home Ownership? to their constituencies. Please pledge your support of this program and work with your local NAMB state affiliate to bring this crucial education to your communities.

Visit [www.namb.org](http://www.namb.org) for more information about how you can be a part of assisting low-to-moderate income and minority potential homeowners on their road to the American Dream of homeownership.

## About Our Education Program

The new consumer education program: **Are You Prepared to Head Down the Road to Home Ownership?**

created by the National Association of Mortgage Brokers (NAMB) and United Guaranty (UG) is a consumer information seminar designed to provide minority, immigrant and low-to-moderate income potential homebuyers with basic information to help them make informed choices when buying a home – and to avoid abusive lending practices.

### The seminar includes:

- The pros and cons of buying a home
- Maintenance costs involved with homeownership
- Tracking spending habits and analyzing personal finances
- Understanding the importance of a credit history
- Overview of fair housing laws
- The do's and don'ts for new homeowners
- Answers to common questions

With an increasing number of potential homeowners emerging from inner city and urban populations, mortgage brokers are assisting more and more individuals from diverse cultures who have different needs and approaches to the home buying process and homeownership.

Unfortunately, **many barriers to homeownership do exist** for these populations. A significant issue is that many feel they can't do it – that they can't afford it or get the help they need to make homeownership a reality for their family. This program provides hope and information for those who are in the position to become first-time homebuyers, and assists those who aren't ready yet with more training and assistance to ensure future homeownership.

**NAMB member brokers are trained to present this course**

in their communities to break down these and other barriers for minority and low-to-moderate income potential homeowners.

