

Sanwa Bank and CRA

by Bryan T. Lyng

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Affordable housing? In California it seems to be a contradiction in terms. At least that's what we at Sanwa Bank California thought when the bank first examined ways to fulfill the credit needs of first-time and low-income homebuyers in the state. Such buyers face formidable hurdles in any market - obstacles which are exaggerated in a state that just happens

to be the most expensive for housing in the nation.

But Sanwa was determined to find a solution. Over the past few years, the bank has developed several new products and forged some productive partnerships with local governments and area non-profits. The result has been a multi-tiered program designed to satisfy the needs of almost everyone — a feat not often achieved when it comes to CRA.

What makes this story even more rewarding is how these solutions have helped Sanwa's performance with both CRA and Fair Lending — solutions which just might work in your community, as well.

Ascertainment

The first step in this journey was to identify the problem.

According to Stasia Woods, Vice President and Manager of the bank's Community Outreach Program, finding the problem wasn't that difficult. In fact, it could almost be said that the problem found us. In addition to establishing community business relationships, one of the primary goals of the program is to identify local credit needs. From the beginning of the credit needs assessment process, it was apparent that one of the most pressing needs was realistic financing options for first-time and low-income homebuyers.

The bank's annual internal Community Involvement survey mirrored these findings. In fact, when asked to rate the most pressing credit need in their community, managers invariably listed those of first-time home buyers. In addition, Sanwa analyzed its HMDA report to determine the distribution of first-mortgage lending by race and income in each of its communities, as compared

to the distribution of the population. The results again pointed to an unfilled need in the community.

Product Development

The problem was taken up by Sanwa's CRA Committee, comprised of key senior officers and board members, who directed the bank's consumer lending subcommittee to develop a new product to help meet this need.

The result was Sanwa's Community Involvement Program (CIP), a first-and second trust-deed program available to anyone buying or refinancing a home in designated "CRA sensitive" census tracts. Developed with the specific needs of low- and moderate-income homebuyers in mind, these products are uniquely suited to their needs.

"We knew the biggest problem most first-time and low-income buyers face is coming up with the down-payment," said H. Gene Galloway, Executive Vice President and head of Sanwa's Retail Marketing Division. "To qualify under the program, borrowers need only a 5% down payment, instead of the 20% required by most conventional lenders."

"Those applicants who do not live in the designated census tracts, but were still in the 'low-income category' could be steered into Fannie Mae's Community Homebuyer Program, which we also offer," added Galloway. To help produce more loans through the program, Vice Chairman Robert Cooke directed the bank to dedicate staff to target low-income areas for residential real estate loan originations. Often working with local community groups, government entities and realtors, the primary responsibilities of these specialists is the production of loans in "CRA sensitive" tracts.

In addition, Sanwa sought to provide technical assistance to local governments and non-profit organizations establishing homebuyer assistance programs. Working with communities, the bank has helped develop a wide variety of innovative programs, from down-payment assistance and "soft-second" mortgages to credit certificate programs. Such technical advice can be crucial to a community.

"Governments often have money for first-time buyer programs, but aren't always aware of how to structure their documentation so that the product can be sold in the secondary market. We have strong relationships with such

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entities as Fannie Mae, and knew what they need in such documentation. We worked with local governments to assure they had the right language," said Galloway.

Advertising and Marketing

Once the CIP product was developed, Sanwa had to get the word out to the public.

To begin the process, the bank rolled out a series of highly focused print and radio advertisements in its three CRA target markets of Alameda, Fresno and Los Angeles counties. South Central Los Angeles was specifically targeted.

Printed in both English and Spanish, the advertisements were placed with newspapers and radio stations serving low-income and high-minority areas, such as the Los Angeles Sentinel, the Oakland Tribune and Los Angeles' largest Spanish-language radio stations in the areas. Sanwa also launched a direct mail campaign promoting the product in targeted census tracts.

The centerpiece of the bank's efforts, though, was a series of free "Community Homebuyer Seminars," which were held across the state, from South Central L.A. to the central valley towns of Sanger and Fresno. Geared to low-income and first-time homebuyers, these seminars educated homebuyers while qualifying them for the CIP product, as well as making them eligible for loans through Fannie Mae.

The seminars were conducted in both English and Spanish, as well as for the hearing impaired. Some cities even videotaped the events, showing them on local cable channels and making available copies to those who could not attend. "The seminars were extremely important from an educational point of view" added Woods, "in that they taught potential homeowners not just how to get a loan,

but how to keep it once they have it."

Sanwa's experience serves as an excellent example of how banks can form successful partnerships with local governments and community non-profit groups, such as local churches. Throughout the state, Sanwa found committed partners willing to find innovative marketing solutions to make the events a reality.

"I was impressed with Sanwa's "can-do" attitude," said Lori Yancura of the Fresno area non-profit Neighborhood Opportunities for Affordable Housing (NOAH)), who worked with the bank and the City of Fresno to develop both a homebuyer seminar and a "soft-second" mortgage program. "I liked how they put people first and didn't just look at the numbers."

In addition to the positive reaction by local groups, Sanwa received a good deal of coverage via the local newspapers, who were more than happy to tell their readers about the opportunity.

"In addition," said Woods, "we found that local radio, television and cable stations were willing to run promotions for the events free of charge as part of their obligations to run Public Service Announcements. The result has been new business and strengthened ties with local governments, all at a minimum of expense to the bank."

"Access to homeownership for all Californians is an essential ingredient to the long term economic prosperity of our state." adds Vice Chairman Cooke. "Sanwa's Community Involvement Program has broadened that access on a basis which has been good for the homebuyer, good for the communities, and good for the bank."

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