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# Language Access for Limited English Proficiency Borrowers: Final Report

APRIL 2017

Conducted by Kleimann Communication Group for



Fannie Mae®



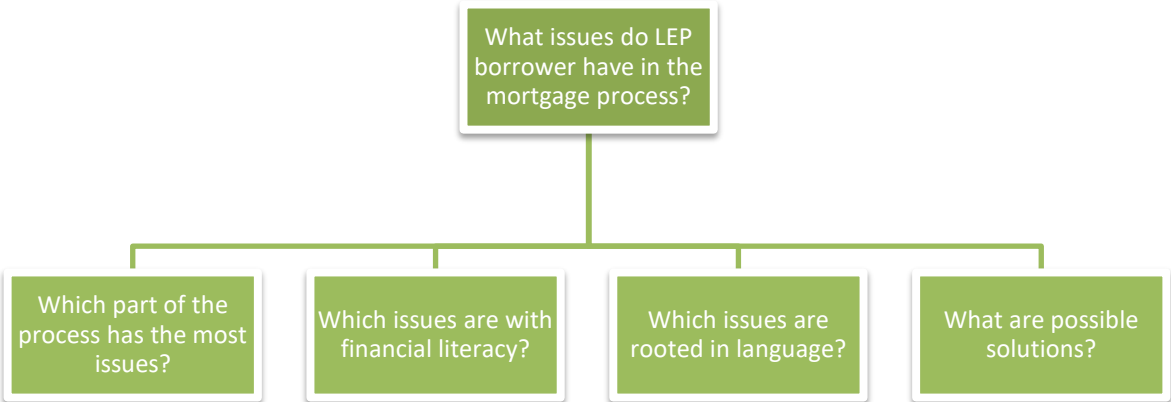
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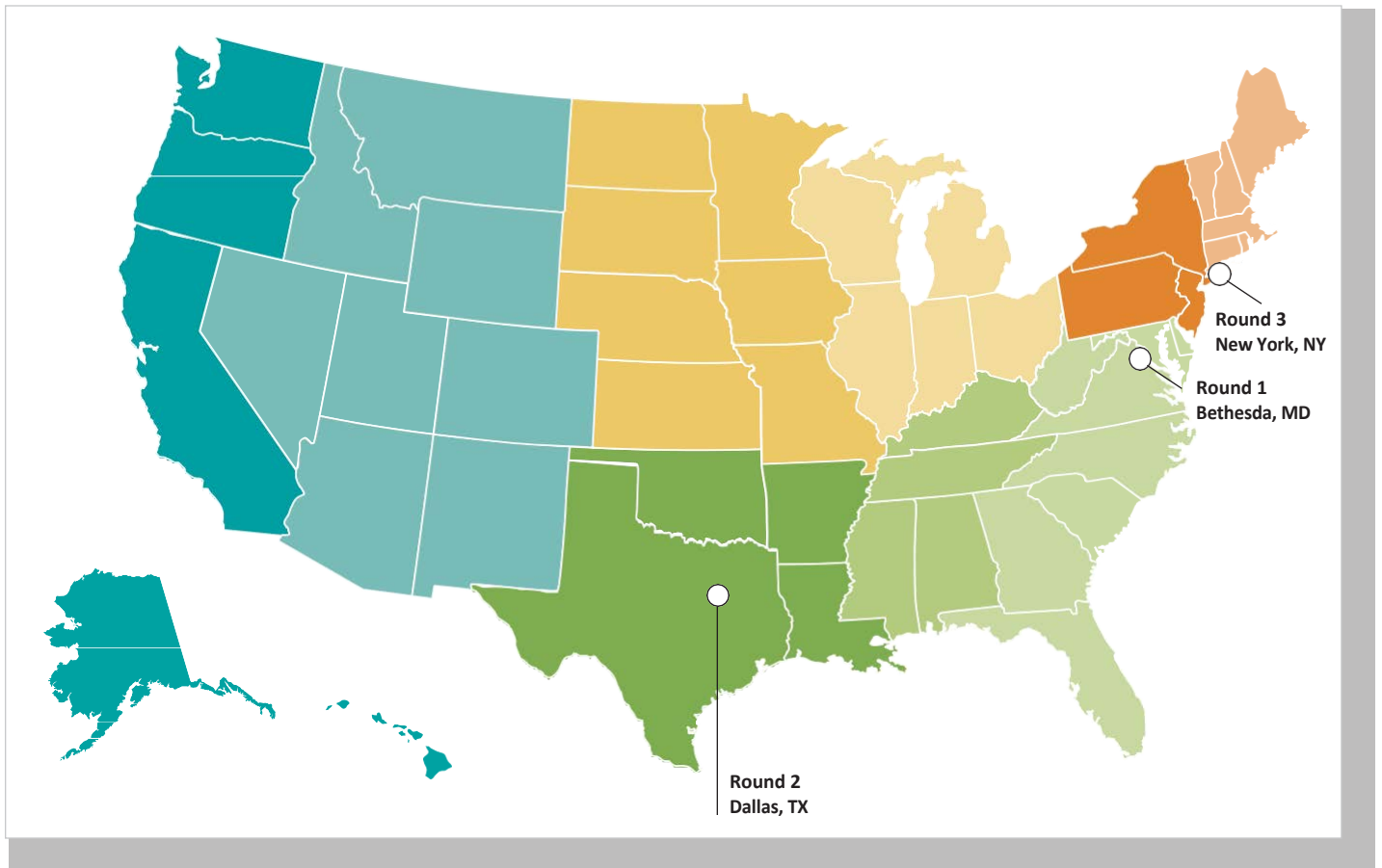
# Chapter 1. Introduction

For this project Fannie Mae and Freddie Mac asked Kleimann to identify major barriers for Limited English Proficient (LEP) borrowers in accessing mortgage credit. Our study applied best practices in consumer testing to explore these issues with members of five different language groups: Chinese (Mandarin), Korean, Spanish, Tagalog, and Vietnamese.

The testing was designed to explore the following research questions about how LEP borrowers engage in the mortgage process. We first explored the general issues that LEP borrowers have in the process. We then drilled down to assess different parts of the process as well as whether borrower issues were related to financial literacy or language. In each round, we developed a script and designed activities to explore these questions in depth.



## Where We Tested



## What We Did

### Round 1. Bethesda, Maryland<sup>1</sup>

- Using an in-language moderator, we asked LEP participants a series of broad questions about
  - Their experiences with the mortgage process,
  - Their language difficulties, and

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<sup>1</sup> This testing was completed under a different contract. We have, however, included the findings in this report for ease of reference.

- How they would like to get assistance.
- Using an English-speaking moderator, we asked the bi-lingual participants about
  - Their experiences with the mortgage process,
  - How they navigated the mortgage process,
  - Issues around translations, and
  - Suggestions for the kinds of assistance that would most help LEP participants.

## **Round 2. Dallas, Texas**

- We introduced Stages of Home Loan Process to frame the interview:
  - Stage 1 – Applying for a Home Loan,
  - Stage 2 – Closing on a Loan, and
  - Stage 3 – Making Payments.
- We asked Spanish and Vietnamese LEP participants to interact with
  - A form from Stage 2 that is filled with information from a third-party—the Closing Disclosure in English and in language; and,
  - A prose notice from Stage 3 in English and in language – late payment notice.
- We asked participants
  - How they would like to get assistance,
  - To rate solutions by what is most helpful for each stage of the home loan process, and
  - About cultural attitudes about the mortgage process and possible assistance.
- We gauged the issues of financial literacy versus language issues.
- We interviewed industry servicers of home loans.

## **Round 3. New York, New York**

- We introduced Stages of Home Loan Process to frame the interview:

- Stage 1 – Applying for a Home Loan,
- Stage 2 – Closing on a Loan, and
- Stage 3 – Making Payments.
- We asked Chinese and Korean participants to interact with
  - English and in-language documents for Stage 1 from the CFPB web site that offers basic information about getting a loan; and,
  - English and in-language notices for Stage 3 that notify the borrower of a servicer change.
- Participants looked at
  - English and in-language documents together for Stage 1, and
  - An English-only notice then a boilerplate in-language notice for Stage 3.
- We asked participants
  - How they would like to get assistance,
  - To look at 14 cards representing individual solutions and select the two which they felt to be most helpful for Stage 1 and then for Stage 3, and
  - About cultural attitudes about the mortgage process and possible assistance.
- We gauged the issues of financial literacy issues versus language issues.
- We interviewed industry representatives.

## How We Analyzed Data

We used a structured method to analyze the interview data and create a set of cohesive findings. After interviews, we shared observations from the moderator, simultaneous translator, and observing team members. We then analyzed transcripts from the interview as well as from the simultaneous translator. We used transcripts, notes, and observations to identify thematic findings. And, finally, we triangulated findings through observation, analysis, and review of interview artifacts.

## Chapter 2. Bethesda, Maryland Testing

In Bethesda, Maryland, we began exploring LEP borrower experience with accessing mortgage credit. We conducted interviews with Chinese, Korean, Spanish, Tagalog, and Vietnamese speakers<sup>2</sup>. We did 15 one-on-one borrower interviews with LEP speakers using an in-language moderator. We also led a focus group in English with bilingual speakers in each of the designated languages.

### Who We Tested

- 15 one-on-one LEP borrower interviews
  - 3 Chinese
  - 3 Korean
  - 3 Spanish
  - 3 Tagalog
  - 3 Vietnamese
  
- 1 focus group with 12 borrowers fluent in English and a foreign language
  - 3 Chinese
  - 1 Korean
  - 3 Spanish
  - 3 Tagalog
  - 2 Vietnamese

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<sup>2</sup> This testing was the eighth round of Kleimann's work with Fannie Mae and Freddie Mac on the revised URLA.

## What We Did

For this round of testing, we conducted one-on-one interviews with fifteen LEP borrowers who were not fluent in English and one focus group with twelve borrowers who were fluent in both English and a foreign language.

## What We Found/Interviews

### **Most participants think of the entire mortgage process as stopping with the closing.**

- When participants talk about mortgages, they are including the application process, the closing process, and the loan documents:
  - URLA
  - Loan Estimate
  - Closing Disclosure
- For most participants, the discussion ended with the closing. Few referred to or even seemed to acknowledge the transfer of their loan to a servicer.
- Most participants would not buy without an agent or lender who speaks their language to guide them through the entire process from application to house hunting to the closing.

### **Current home loan process makes participants feel and be vulnerable.**

- Most of the participants feel they do not have a good overview of the process and timing on a loan application. With this lack of knowledge, they feel more dependent on the advice of others and less confident about how to predict or prepare for the process.
- Generally, in-language information is conveyed orally to participants—whether by family, friends, or mortgage professionals. As a result, they must rely on their memories to recall information and to review the English documents for the application, loan, and closing disclosures. The cognitive burden is huge in that they must recall many technical issues at the same time. They are often nervous about trying to understand the details about purchasing a home.



- Most importantly, participants feel vulnerable because they cannot review the documents - terms of the loan and other details - on their own in their homes. They understand the importance of being knowledgeable, but don't have a way to verify information on their own.
- Although participants often work with family, friends, or industry professionals, they often believe the facts were not always given objectively, *i.e.*, the translator could omit or skew information to his benefit, not the borrowers, or even just convey the wrong information unintentionally.
- All participants say that they could not and would not have bought without language assistance from family, friends, or in-language professionals. Buying a house is a big commitment with ramifications if they make a mistake. So even with all their concerns, they still push forward counting on the honesty and knowledge of the people they consult.

### **Without reliable translated documents, trust is critical.**

- Participants are dependent on their network to find trustworthy people. It's why they use professionals who speak their language and why they rely on family and friends. It seems more important to trust the person than to check on the credibility of their knowledge. For some, they are relying on others who have only their personal experience on which to base advice.
- All participants want to understand the agreement they are signing. They know that purchasing a home is a 20-year or more commitment and that they have a responsibility to know the details. Thus, they see having access to translated documents in their own language making them:
  - Feel welcome. *i.e.*, others want them to be able to own a home,
  - Feel confident that they know what they are doing, and
  - Feel more independent.
- Even if they are fluent in English, participants want a translation to review and ensure that they haven't "misunderstood" any English language concept, such as "escrow" or "balloon payment."

## What We Found/Focus Groups

### **Focus group participants gave similar feedback as the LEP participants, but had slightly different attitudes.**

- Trust is equally important to this group of participants, all of whom were fluent in English as well as a second language. They too rely upon a network of trusted friends and family and upon referrals to industry people whom others had used. In contrast to the LEP participants, some participants note that they had done research on a real estate agent or loan officer to ensure that they were trustworthy. In all cases, however, they chose to work with an in-language realtor or lender. They relied on these vendors to understand the process and for help with the application and general advice, *e.g.*, don't open any new credit cards
- These participants use a nuanced double language. For most of them, they speak in-language at home. Outside of the home, they decide which language to use with others. They all feel equally comfortable with English and with their own language. Yet, all used in-language professionals to complete their home purchase and they thought that translated documents would be useful to them to be sure that they understood nuances of the home buying.
- These participants have a slightly contradictory opinion about LEP borrowers. On the one hand, they think that translations are essential and critical for LEP populations to understand their loans. At the same time, although translations are not critical to them because their mastery of English allows them to function highly, they think that translations would be helpful to them because translations allow them to double check their understanding. Despite their own reliance on network and in-language resources, a few felt very strongly that everyone has a personal responsibility to educate themselves. And two Vietnamese participants stated that if one lives in the United States, one should learn English. Thus, focus group participants support the idea of translated documents, but also feel that others should do as they have and become fluent in English.

### **Focus group participants have a sensitive awareness of cultural and low literacy concerns.**

- Participants discuss language as having a cultural component. Particularly in Spanish, certain words and constructions depend on geographically-based dialect (*e.g.*, Mexican, Central American, Cuban, Puerto Rican, *etc.*). Additionally, different speakers get

different levels of respect based on their dialect and the assumptions about people who speak that dialect.

- Because of that awareness of the cultural component, participants agree that only certified translators should be responsible for translations. These translators should be involved in the verbal explanations that are currently done informally and definitely should be involved in any written translations.
- Participants further insist that any translated documents should be tested with speakers of different dialects to capture the cultural component as well as the phrasing and vocabulary that works across dialects. Without the quality check of testing, translations could be misunderstood by portions of the population.
- Aside from the concerns around dialect, many participants feel that low literacy populations are more vulnerable and, thus, have a greater need for translated documents. All agree that this population has a general fear of the government and that there's a delicate balance between this fear and their getting reliable information. In addition, this population has a tendency to not ask for help. Both of these tendencies make them more vulnerable to incorrect or manipulated information. Although some in the group feel it is the duty of LEP speakers to learn English, others in the group point out that many times this population is either working many jobs to make a living and may not have time to take classes or they are so focused on making money beyond subsistence that they do not want to split their attention and take classes. All agree that this stance is short sighted.

### **Focus group participants saw advantages and disadvantages to translated documents.**

- The primary advantage of translated documents is that they eliminate the language barriers that prevent or delay LEP speakers from buying. LEP borrowers may have the money and the credit scores to buy easily, but they are “scared” because buying a house is a legal transaction, and they are concerned that they may miss a key element in understanding because of the language barrier.
- Participants feel that translations allow them, as fluent English speakers, to double check concepts that may be difficult to understand in English, such as “escrow.” They admit that they don't always feel comfortable with the technical language of mortgage loans or of the law or of medicine. The translation allows them to check an English-language concept or vocabulary word in their native language.

- Participants noted a few disadvantages that are more concerns. They are concerned about the accuracy of oral translations and especially of written translations as well as dialect differences. However, they suggest that certified translators can address both concerns since a certified translator is trained to deal with dialect differences and is more likely to offer unbiased translations. A few participants also raise the issue of additional costs embedded in the loan if a translator is provided or if translated documents are provided.

**Both groups have similar suggestions for translation aids.**

The LEP interview and focus group participants suggested very similar assistance materials, with the caveat that the documents should be in plain language and avoid mortgage jargon.

Checklists	These can be varied. For example, one checklist could overview the process and others could be lists of what and what not to do.
Booklet	A booklet also can provide an overview and the checklists. Some participants point out that many people don't like to read, so this may be good for some people, but not all.
Key terms glossary	Working from the same principle that people don't necessarily read long documents, some suggest that a glossary can pull out the most important terms that may need clarification, such as "escrow" or "ARM."
Videos	Videos provide an opportunity to have explanations that are primarily visual and can be more inviting than a document.
Interactive app	An app allows those who are more technically savvy to have quick access to information.
Education seminars	These in-language seminars can be local and held at in-language churches, community centers, and language schools.
Call-in radio shows	The radio shows are an interactive way to get immediate feedback on a particular question.

## Chapter 3. Dallas, Texas Testing

In Dallas, Texas, the team used cognitive interviews with LEP borrowers who spoke either Spanish or Vietnamese and had limited English Proficiency (LEP). Our goal was to elicit information about their experience with the overall mortgage process. We introduced a simple 3 stage Mortgage Process, with Stage 1 – Applying for a Home Loan, Stage 2 – Closing on your Loan, and Stage 3 – Making Payments on your Loan. We showed participants two documents for Stage 2: an English and in-language version of page 1 of the Closing Disclosure. We then showed them 2 documents for Stage 3: an English and in-language version of a Late Payment notice. We then asked them to choose kinds of assistance that could make Stage 2 and Stage 3 work better for them. We also interviewed servicers to identify their approaches to dealing with LEP borrowers.

### Who We Tested

- 8 LEP borrower interviews in Spanish
- 8 LEP borrower interviews in Vietnamese
- 6 Industry participants
  - 5 currently working in the servicing of loans
  - 1 with both origination and servicing experience
  - Job titles included: Servicer/Customer Service (1), Customer Service (3), Customer Service Resolution (1), and Customer Care Rep (1)

### What We Did

The interviews consisted of three parts:

- Think aloud on the English and in-language Closing Disclosure followed by detailed comprehension questions as well as questions about what actions they would take;
- Think aloud on the English and in-language late payment notice followed by detailed comprehension questions as well as questions about what actions they would take; and
- Rating possible assistance that could be offered in Stage 2 and Stage 3.

## **We introduced the Stages of the Home Loan Process to frame the interview.**

Because we expected some participants not to be familiar with the home loan process, we created a simple model of the home loan process. We used this model to ensure that participants understood which part of the process we were asking questions about. From previous experience, we knew that they were most comfortable with Stage 1 – Applying for a Loan. The stages consisted of:

- Stage 1 – Applying for a home loan,
- Stage 2 – Closing on a loan, and
- Stage 3 – Making Payments.

## **We asked participants to interact with two documents from Stage 2 and Stage 3.**

We presented documents from Stage 2 and Stage 3 both in English and an in-language version. We translated both the Closing Disclosure and the notice about late payments into Vietnamese. We used the Spanish version of the Closing Disclosure posted on the website of the Consumer Financial Protection Bureau. We also translated a notice about late payments into Spanish. We selected the documents to be able to see if participants handled a form with numbers better than they did a prose notice.

- Stage 2 document – the Closing Disclosure. This document is a highly-formatted document filled with information from a third-party.
- Stage 3 document– a notice about late payments. This notice is a standard boilerplate notice with no personalized information.

## **We asked a series of follow-up questions.**

Our questions were designed to elicit responses for several purposes:

- To gauge their understanding of what they had read,
- To identify how they would get assistance with the documents from Stage 2 and Stage 3,
- To gauge issues of financial literacy versus language issues,
- To elicit comments about cultural attitudes about the mortgage process and assistance that could be available, and

- To rate solutions according to which they would find most helpful for each stage.

## What We Found with Spanish LEP Borrowers

The testing with Spanish LEP borrowers showed that participants prefer to use Spanish documents, that they strongly rely on family members and trusted advisors, that they want even more oral and written communication in their native language, and that trust is a major theme.

*“Everything was hard for me, I didn’t have a clue what it meant. We never thought about buying a house, and not even here...And when we had the chance, it was difficult not being familiar with that kind of words or processes”*

### Participants prefer—and could more easily use—Spanish documents.

Not surprisingly, all the Spanish LEP participants greatly preferred the Spanish documents and dealt with English documents in different ways.

- They used the Spanish documents first and put the English version to the side, not using it in any way.
- Several participants noted that documents in English are a general challenge.
  - As a result, they would not read them and would try to find a number to call where they could speak to someone in Spanish.
  - They might ignore the documents, putting them in a drawer or waiting until they could find family or friends to help them understand the document.
- These participants expressed an overwhelming need, not merely preference, for documents in Spanish.

### Participants strongly rely on family members or “trusted advisors.”

English was so difficult for these LEP participants that they were dependent on others to be able to understand English documents.

- Participants would use Spanish-speaking real estate agents or loan reps and, for several, real estate agents particularly were the entry point into the home loan system.
- Participants told stories of Spanish speakers leading them through the entire process and interpreting it for them.

- Several participants used English-speaking family members to translate documents and explain the text to them.
  - Several noted that they rely on close family members, such as sisters or children, to translate documents such as the ones we showed them.
  - In one case, a child as young as 12 frequently serves as translator for the family.

### **Participants are more likely to respond appropriately if documents are in Spanish or Spanish speakers are available.**

Not surprisingly, the LEP participants did not understand the English documents and thus often misinterpreted the English documents or took delaying tactics to avoid dealing with the content.

- When we asked them to rate the importance of the document, participants at times misjudged the importance when they viewed it in English. They tended to provide a higher “urgency” score with Spanish documents than with the English documents.
- A few participants expressed a willingness to delay action if the information was not easily understandable to them.
  - One participant said she would not answer the phone until she has the money to pay, but she **will call** immediately if she gets correspondence in Spanish.
  - Another participant reported she knows individuals who simply ignore English letters.

### **Participants want even more contact in language.**

Uneasy with reading English documents, participants wanted to receive documents in Spanish and even more wanted access to Spanish-speaking staff. If a phone number was available for Spanish speakers, they were quite willing to act immediately and call.

- Across the board, participants want to receive communication in Spanish.
- Participants wanted translators or fluent individuals to speak with when they have issues.
- More comfortable with spoken language, participants seemed to prefer calling for help.
  - They are accustomed to phone lines with Spanish options.



- When they see a phone number on a correspondence, they notice it, feel it is helpful, and express interest in calling.
- Several suggested the usefulness of a dedicated Spanish phone line for Spanish LEP borrowers to rely upon.

### **Participants innately trust those who speak their language.**

Perhaps because they feel so “at sea” with English documents, participants were quick to attribute good qualities to people who spoke Spanish and to documents that were in Spanish. In fact, we heard very little questioning about the quality of the translations.

- Participants expressed a greater level of trust with Spanish-speaking industry members, such as real estate agents, originators, or servicers.
- They also interpreted documents in their language as “good” and “helpful.”
- They seemed to feel this sense of trust whether it was earned or not.
- Such innate trust is an issue that “cuts both ways”:
  - It is positive when the individual or organization wants to help and provides objective help and advice.
  - On the other hand, it can leave the individual more vulnerable to predatory lenders and others who look like they want to help, but have ulterior motives.

### **Fraudulent behavior is a fear, but misplaced trust makes individuals vulnerable.**

Fraud was on the mind of many participants. Some had personally experienced the “surprise” of misinformation they had been given, but some were not even aware that their transactions were suspect. In both cases, the participant had trusted someone primarily because they spoke Spanish.

- Some participants expressed concerns about falling victim to fraudulent behavior.
- However, an overly trusting attitude toward Spanish speakers leaves individuals vulnerable:
  - At least two participants noted that they simply signed what they got, and they were surprised later by different terms.

- In one case, the participant and her husband seemed to be the victim of a predatory scheme in which they had placed trust in a team of Spanish speakers.
  - They did not trust the banking system or financial institutions because they were concerned about being victims of “fraudulent behavior” and the “fine print.”
  - They did a direct loan with the seller and paid cash to close plus high transaction costs, all outside of the banking system.
  - They placed trust in the transaction because they were working with a Spanish-speaking team.

### **Foreign language and foreign concepts are both issues.**

The issue of financial literacy and language are greatly entwined with this LEP Spanish population, but the issue moves beyond both to include a lack of knowledge with the home loan process both at closing and during servicing and a lack of knowledge about math fundamentals.

- Participants struggled with the English language and clearly preferred Spanish documents. However, they also struggled with many of the home loan concepts, such as
  - Escrow,
  - Balloon Payment, and
  - Cash to Close.
- These participants also encountered problems with the process because they were unfamiliar with it and had no baseline knowledge on which to build.
- Furthermore, this LEP population also found the basic math difficult, moving the issue beyond financial literacy to innumeracy.
- All findings suggest that this is a complex, multi-factorial issue with language further obscuring difficult concepts.

## What We Found with Vietnamese LEP Borrowers

The testing with Vietnamese LEP borrowers showed that they preferred Vietnamese documents, would research answers before they responded to correspondence, often misinterpreted the content when they used the English document, and relied on a strong social community. These participants brought up the difficulty of accurate translations and the resultant failings of many such in-language documents.

*“It’s not like we don’t want to speak English, but this [buying a house] is not a trivial matter.”*

### Participants preferred Vietnamese documents, but used both.

Unlike the Spanish LEP participants, nearly all participants used both the English and the Vietnamese documents. To some extent, this practice was to ensure that they understood both the English and the Vietnamese.

- Nearly all participants started with the Vietnamese documents. They quickly went back to the English version and began to compare the numbers and even language in order to ensure that translations of concepts were correct as well as the details.
- If a Vietnamese version was not offered, several said they would begin to translate it using a dictionary. The goal again was to ensure that they understood the document completely.

### Participants do homework before they respond to documents.

Unlike the Spanish LEP participants, any delay in responding by the Vietnamese was because they wanted to be fully prepared. This behavior was particularly true if they felt the document was important.

- Nearly all participants understood that the Stage 3 notice was important even in English.
- However, before acting:
  - They wanted to understand the letter—either by translating it with a dictionary or relying upon family members, real estate agents, or even children to translate it and explain it to them.
  - They wanted to check their own records since it might be an error on the bank’s part. In fact, several commented that they never made late payments, but they

would check their bank account to make sure that the payment had been sent because banks often make mistakes.

- At least one participant said that she would take the notice to the bank to talk to someone – even if it would be in English – because she was usually not understood when she spoke in English over the phone.

### **Knowing only a few English words led to misinterpretations.**

Many participants recognized a few of the English words, such as “payment” and “foreclosure.” Based on that information, they made assumptions about the content of the late payment notice.

- Some who looked at the English version of the letter felt it was threatening.
  - They thought the letter looked threatening because they focused only on one or two words, especially “foreclosure.”
  - Some also felt the letter seemed like a car salesman technique.
- Once they read the Vietnamese version, they realized the notice was offering help, not threatening to foreclose on the home loan.
- They saw the Vietnamese text as more nuanced than what they understood in the English version.

### **Social community is extremely strong.**

The social community was particularly strong with this population.

- Participants rely heavily on family to translate and would keep them aware if they were in financial difficulty. Even more, they expect that family would help them catch up on any late payments because of the importance of owning a home.
- When buying a house, they rely on a realtor who speaks Vietnamese to guide them through the process. They will go back to the realtor if a problem emerges after closing.
- When choosing a lender, they rely on referrals and prefer banks that have been in business for a while.
- Only one stated that he turns to the web for information.

## **Participants were acutely aware of the difficulties with translations.**

Participants, in general, were aware of the many different ways a translation can go wrong from literal translations to generational differences in experience and understanding.

- Participants underscored the need to translate concepts as well as simply the words. Only one participant said he would use an online translator like Google translate
- Many were aware that Vietnamese who came to the U.S. in 1975 have different terms and understanding than those who are more recent immigrants. Culturally, things have changed in Vietnam – and words and concepts that were around in 1975 are no longer understood by people still living in Vietnam or those who are recent immigrants.
- Several participants were concerned with how things had been translated in the testing documents, citing this generational change, and stated that some phrasings in the document smacked of “communist” words.
- No one stated that the accuracy of the translation would affect their trust in the document; it was implied simply by the number of people who brought up the importance of conceptual translations over literal translations and their cautions about the importance of understanding the social milieu of current Vietnam.

## **Participants were willing to ask for and use translation help.**

Most participants had low expectations of the availability of translated documents and that influenced their willingness to ask for them.

- Nearly all said that they would initiate a request for translated documents; although one participant said she simply assumed that nothing was available and so would not ask.
- No one was offended by the idea of someone offering translated documents.
- Nearly all were willing to use a translation service.

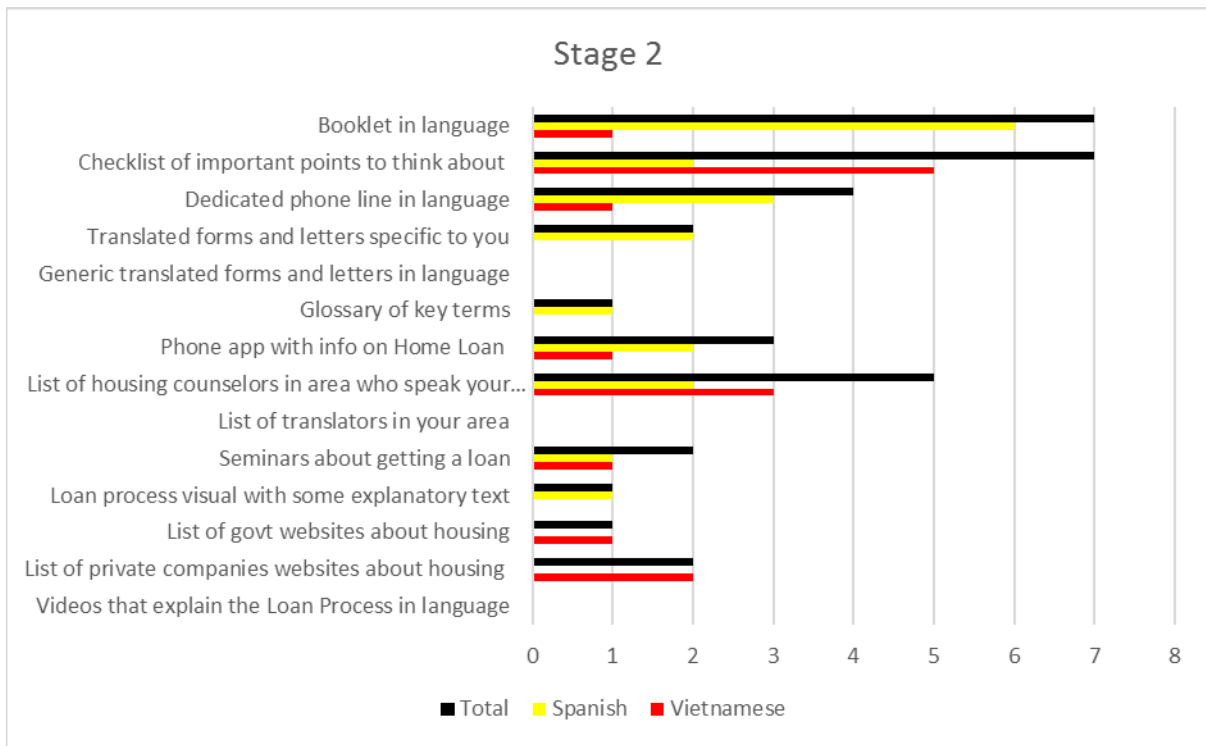
## **Foreign language and foreign concepts are both issues.**

As with the Spanish participants, the issue of financial literacy and language are greatly entwined with the Vietnamese LEP participants, and the issue moves beyond both to include a lack of knowledge with the home loan process both at closing and during servicing. However, the Vietnamese participants see home ownership as a point of pride and took many efforts to understand the English as well as the Vietnamese documents.

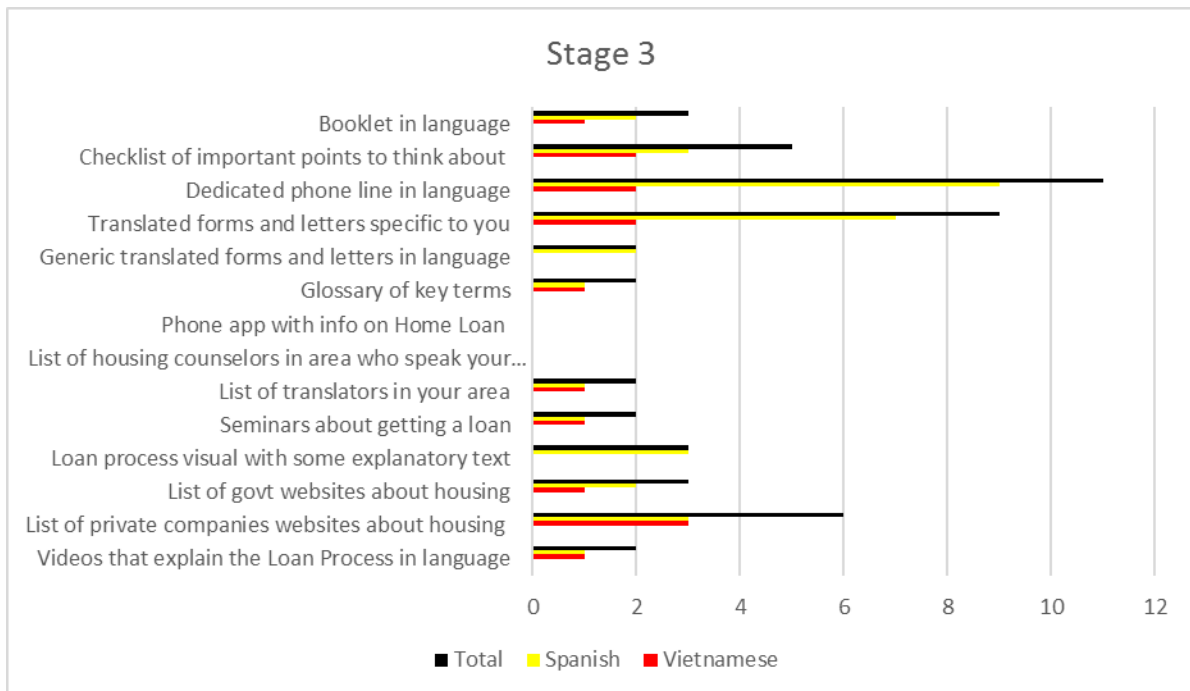
- Participants prefer Vietnamese documents, but use the English documents to compare with the Vietnamese as a back and forth check on conceptual translations.
- They underscored the importance of understanding because of the seriousness of the debt. But beyond even that, within the cultural community, owning a home is important and keeping it is even more important.
- However, they also struggled with many of the same concepts that the Spanish-speaking participants struggled with and that many English-speaking borrowers struggle with, such as:
  - Escrow,
  - Prepayment,
  - Balloon Payment, and
  - Closing.
- These participants also encountered problems with the U.S. process because they were unfamiliar with it and had no baseline knowledge on which to build. They know the process is difficult, but don't know the ins and outs of it. Several suggested that an overview would help them understand the process.
- As with the Spanish LEP participants, all findings suggest that this is a complex, multi-factorial issue with language further obscuring difficult concepts.

## **The Kind of Assistance Spanish and Vietnamese LEP Borrowers Say Will Help in Stage 2 and Stage 3.**

Not surprisingly, for Stage 2, participants wanted a booklet to explain the overall process, especially for first-time borrowers. Once a person has gone through the process and has experience, they suggested a checklist as a shorthand reminder of what they should avoid doing and what they should definitely do. Few Spanish or Vietnamese participants knew what a HUD-counselor was or what kind of assistance they could give. Once explained, more participants were interested.



For Stage 3, the dedicated phone line in your language was highly rated. Spanish participants, particularly, expressed interest in this option since they are accustomed to dedicated Spanish lines being available. Participants also wanted translated forms and notices. Both the Spanish and the Vietnamese saw these as helpful to better understand their obligations and the actions they should take.



## What We Found with Dallas Servicers

Servicers in the Dallas interviews showed a wide variation in how they helped LEP borrowers and in their internal resources. Although they often did provide some assistance to LEP borrowers, this assistance was exclusively in Spanish and, even then, varied from servicer to servicer.

### **Some servicers make accommodations for Spanish LEP borrowers.**

Servicers had a variety of language options for Spanish LEP borrowers, but generally transferred any other language to a third-party translation service. They did not directly pass on the cost of the translation service to the LEP borrowers.

- Some servicers have
  - in-house groups that speak Spanish and interact with Spanish-speaking borrowers,
  - a separate call-in number for Spanish-speaking borrowers, or
  - specialized groups that are trained in-house to assist Spanish borrowers.
- Other languages are transferred to a third-party language translation service.
  - The translators do a time-consuming process of listening to the LEP borrower, then telling the servicer staff what was said, listening to the servicer staff, then telling the LEP borrower what was said.
  - These time-consuming calls take on average 3 times as long as a regular call.

### **Servicers identified several issues for LEP borrowers.**

Servicers were aware of the language issues that LEP borrowers face as they attempt to navigate the home loan process and identified four primary issues.

- Most documentation is in English. LEP borrowers may want to be responsible, but it is difficult when they cannot comprehend the basic documents in English.
- Some words do not translate between languages. One servicer said that most calls she receives are around escrow changes and that LEP borrowers simply don't understand this concept. She explains it to them by using analogies.



- LEP borrowers often rely on children and family members to translate documents. Some of these family members will have home loan experience, but children, in all likelihood, will not be able to translate conceptually. As a result, the actual understanding of LEP borrowers could be suspect and less than ideal.
- Servicers also talked about how many LEP borrowers do not understand the home loan process or how it works from applying for a loan to closing to the servicing phase.

**Servicer companies show little to no consistency with how they handle LEP borrowers.**

Although clearly servicers were attempting to deal with the LEP population, at least the Spanish-speaking LEP population, they showed little consistency in approach.

- No formal process or best practices exists across servicers.
  - Some have staff they trained internally to deal with Spanish-speaking LEP borrowers
  - Some have hired Spanish-speaking staff to deal only with Spanish LEP borrowers and any Spanish calls are transferred to them.
  - Some have a dedicated phone line for Spanish LEP borrowers.
  - Only a few have a way to record language preference in the file.
  - Spanish is the only consistent language spoken by servicers; other languages are transferred to a third-party translation line.
- Servicers averaged having 15% of LEP borrowers as customers with one servicer having 65% LEP borrowers.

**Most servicers believed the major issue was with language and not financial literacy.**

Servicers felt that LEP borrowers had similar comprehension of the home loan process as many of their English-speaking borrowers. These borrowers may be unfamiliar with the stages of the home loan process; they may not understand specific words, such as escrow; and, they may feel overwhelmed. However, LEP borrowers also must contend with language barriers. If the servicers can speak the LEP borrower’s language, they seem confident that they can explain the concepts, just as they do for their English-speaking borrowers.

## Moving to New York City Testing

As we prepared for the next round of testing, the team made several changes. First, we adjusted the younger age groupings from 18-30 and 31-45 to 25-35 and 36-45. The goal was to more realistically represent the home buying population. In addition, we changed the documents we would test. We selected a Stage 1 document that gave general advice about deciding on a loan – “How do I find the best loan available when I’m shopping for a home mortgage loan?” – from the Consumer Financial Protection Bureau website. We also selected a Notice of Servicer Change from the Fannie Mae website. For the latter document, we translated only the boilerplate version of the letter into Chinese and Korean and filled in the English version with the details about the previous and new servicer.

## Chapter 4. New York, New York Testing

In New York, New York, the team used cognitive interviews with LEP borrowers who spoke either Chinese or Korean and had limited English Proficiency (LEP). Our goal was to elicit information about their experience with the overall mortgage process. We again introduced the simple three-stage Mortgage Process, with Stage 1 – Applying for a Home Loan, Stage 2 – Closing on your Loan, and Stage 3 – Making Payments on your Loan. We showed participants two documents for Stage 1: an English and in-language version of a CFPB website page called “How do I find the best loan available when I’m shopping for a home mortgage loan?” We then showed them two documents for Stage 3: an English and in-language version of Notice of Servicing Transfer. The English version included the names of the two servicers and dates. The in-language version was a boilerplate version with standard language, but no specific details. We then asked them to choose types of assistance that could make Stage 1 and Stage 3 work better for them. We also interviewed industry representatives to identify their approaches to dealing with LEP borrowers.

### Who We Tested

- 16 LEP borrower one-on-one interviews
  - 8 Chinese
  - 8 Korean
- 6 Industry one-on-one interviews
  - 5 in person
  - 1 by telephone
  - Job titles included: Mortgage Loan Originator (1), Loan Officer (1), Attorney (1), Private Mortgage Banker (1), Home Lending Officer (1), Collection Officer/Servicer (1), and Vice President Mod Contract and Qualified Assumptions (1)

### What We Did

The interviews consisted of three parts:

- Think aloud on the English and in-language Notice of Servicer Change followed by detailed comprehension questions as well as questions about what actions they would

take; and

- Rating possible assistance that could be offered in Stage 1 and Stage 3.

### **We introduced Stages of Home Loan Process to frame the interview.**

Because we expected some participants to not be familiar with the home loan process, we created a simple model of the home loan process. We used this model to ensure that participants understood which part of the process we were asking questions about. From previous experience, we knew that they were most comfortable with Stage 1 – Applying for a Loan. The three stages consisted of

- Stage 1 – Applying for a Home Loan,
- Stage 2 – Closing on a Loan, and
- Stage 3 – Making Payments.

### **We asked participants to interact with two documents from Stage 1 and Stage 3.**

We presented documents from Stage 1 and Stage 3 both in English and an in-language version. We selected a Stage 1 document that gave general advice about deciding on a loan. We downloaded this document - “How do I find the best loan available when I’m shopping for a home mortgage loan?” – from the Consumer Financial Protection Bureau website. We selected a Stage 3 document – the Notice of Servicer Change - which we downloaded from the Fannie Mae site. We had both documents translated into Chinese and Korean. We selected the documents to verify if translation difficulties also occurred in Stage 1 and the Notice of Servicer Change because it provided us with a boilerplate text.

- Stage 1 document – How do I find the best loan available when I’m shopping for a home mortgage loan?” This document is a general advice document with links on the website to additional definitions. There is no personalized information in it.
- Stage 3 document– the Notice of Servicer Change. This notice is a standard boilerplate notice to which personalized details are added.
- Participants looked at the English and in-language documents together for Stage 1. For Stage 3, they saw the English-only notice, then the in-language notice.

## We asked participants a series of follow-up questions.

Our questions were designed to elicit answers for several purposes.

- To gauge their understanding of what they read;
- To find out how they would like to get assistance:
  - For Stage 1 and then separately for Stage 3, we asked participants to look at 14 cards representing individual solutions and select the two which they felt to be most helpful.
- To gauge the issues of financial literacy issues versus language issues; and
- To elicit comments about cultural attitudes about the home loan process and assistance that could be available.

## What We Found with Korean LEP Borrowers

The testing with Korean LEP participants showed that they preferred Korean documents, would often turn to the Internet to find information, and relied on family and friends. However, these participants placed their trust more on the source of information, not merely from Korean documents or industry professionals who spoke Korean.

### Participants preferred – and could much more easily use – documents in Korean

As we had seen with the Vietnamese participants in Dallas, the Korean LEP participants preferred a document in Korean, but would use both the Korean and the English documents to clarify meaning.

- When given the choice, all participants preferred Korean documents.
- Participants pay attention to information from banks, especially letters, even if they are in English, but they prefer a Korean translation to ensure that they fully understand the contents.
- Participants said they would read Korean first, but some would try to get additional context from English – in fact, a few used the documents together:

*“I get especially afraid when looking at documents like these. It’s saying I have to say yes/no to something. During my time living in America, I’ve come to realize there are cultural differences in the way you answer yes/no questions. In Korean, you might answer ‘yes’ to a question, but in English, you would answer ‘no’. These sorts of things make me nervous.”*

- One participant suggested that you could get the gist from English and then fill in the blanks by looking up words.
- One participant suggested a benefit to having some English words even in a Korean document, since not all words have a direct Korean counterpart. His suggestion was to provide key words in Korean but with the English word or phrase next to it (such as “agent” or “offer”).

### **Still, translations are not the full answer when literacy and education is low.**

The Korean LEP participants had low education levels, which compounded their inability to understand the documents in English, but also in Korean.

- All the Korean LEP participants were of low literacy and education:
  - They struggled with reading,
  - They struggled with speaking and conveying their thoughts, and
  - They struggled with basic concepts such as “interest rate” and even “fees.”
- Thus, participants were challenged with the Korean translations as well as English.
- Even introductory-level information, such as in the CFPB document, was too difficult for most to understand well:
  - “Basic” home purchase concepts were unfamiliar.
  - As one participant said of the CFPB document: “it is written for somebody who already knows the process.”
- Participants all suggested that they would need more information even after reading the documents provided.

### **Participants would get more clarity and context by doing Internet research.**

This group of participants was fairly comfortable using the internet.

- After viewing the Stage 1 information, all participants said that they would follow up by going to the Internet and using “Google.”
- They would use the Internet to look up more about the process by

- Searching on “how to buy a home in the U.S.,”
- Reading Korean-language articles about home buying, and
- Using Korean advice web sites such as “MissyUSA.”
- They would look up specific words and phrases.
- They would use online translation tools, such as Google translate, for information provided in English.

### **Participants would also rely on friends, family, and “trusted advisors.”**

Like the Spanish and Vietnamese participants, the Korean LEP participants turn to friends, family, and advisors. However, rather than being the primary source of information, the Korean participants rely them to confirm a translation or their understanding of a term.

- Participants often noted that they would take information to friends or family that have more experience in home purchasing.
- Participants independently stated that it is important to “verify” information – to confirm the meaning, context, and accuracy – often from more than one source.
- Participants often used English-speaking family members to translate documents:
  - One noted that he somewhat understands “60%” of English documents, but he uses his adult daughter to verify the meaning and get the rest.

### **Participants would also look for banks and brokers who share their language.**

With their English quite limited, many participants turned to the Internet to find lenders and banks that could provide services in Korean.

- Participants would use their Internet searches to find Korean lenders or banks with Korean-speaking employees.
- Several knew banks that have Korean employees and indicated they would use one.
  - Two specifically noted that they would use “Chase Bank” because it is known to have Korean-speaking employees.
- Based on participant answers, banks that offer Korean services would have higher “name recognition” in the community and a higher likelihood of being used.

## **Participants’ sense of trust comes more from the source of the information than the information itself.**

Participants independently raised the word “trust” throughout the interview a great deal; it is an important and subtle concept.

- Trust, for these participants, comes from the source:
  - They trust the government because it will have the most up-to-date information.
  - They trust large banks (*e.g.*, Chase or Wells Fargo) because they are established, have been in business for a long time, and are reliable.
  - They don’t necessarily trust realtors because “it’s easy to get a license.” Nor do they trust other lenders who are not as established as a name-brand bank.
  - They don’t fully trust housing counselors because they think they are private consultants and don’t associate them with the government, in part because they didn’t recognize HUD as a government agency.
  - They did not fully trust the Korean letter because it didn’t mention the bank name, and this lack of source was problematic because it could be a scam.

## **And, though they appreciate translations, they didn’t necessarily trust them.**

The Korean LEP participants were not easily persuaded to trust translations or translators. They seemed to be cautious and wary of other people and the documents that would come from other people.

- Participants were appreciative and grateful for translated information:
  - They were more interested in – and more likely to use – banks that provided translated documents. They called translations “thoughtful”, “helpful,” and “kind.”
- However, having translated information didn’t seem to influence trust significantly:
  - A thematic answer was “trust but verify”; they would read the document then share it with others to verify their understanding and the accuracy of the information.
  - They would use the translations not because they were more trustworthy but because they were more practical and could save them time.



- They didn't necessarily even trust translators or other Korean speakers. As one individual noted "Many people have said...Koreans should be careful of other Koreans."
- Trust is a complex and multifaceted issue in this population as it was in the Spanish and Vietnamese.

### **Foreign language and foreign concepts are both issues.**

As with the Spanish and Vietnamese LEP participants, the issue of financial literacy and language are greatly entwined for the Korean LEP participants. With these participants as well, the issue moves beyond both to include a lack of knowledge with the home loan process both at application and during servicing. Tone was an issue as well.

- Participants struggled with understanding many home loan concepts such as:
  - Interest rate (variable and fixed),
  - APR,
  - Points, and
  - Penalty.
- Some English words are inherently problematic due to Korean connotations with some words.
  - The term "broker" has a negative connotation in Korean where it refers to a "middleman," often in a dubious deal.
  - Some words, such as "offer," don't have a direct counterpart in the Korean language.
- These Korean participants were particularly sensitive to tone, thus complicating translations if the tone is not specifically addressed.
- When asked, participants were split on whether they struggled more with the language or the concepts. Some felt it was a conceptual issue while others felt they could overcome the conceptual challenge with a good translation.

## What We Found with Chinese LEP Borrowers

The testing with Chinese LEP borrowers showed that they preferred Chinese documents and, in fact, primarily used the Chinese versions and not the English. They were acutely aware that the English document was the legal document, but did not trust their own English to be sufficient to fully understand the details and their responsibilities. They would use the Internet to verify information or to find additional information, but that was dependent on their age. This group often commented on the importance of paying off the loan early. These participants brought up the difficulty of accurate translations and the resultant failings of many such in-language documents. As with all the populations we talked with, trust emerged as a complicated topic, but of great importance.

*“Governmental information seems to be more official to me and there will not be any fake information. Whereas, some institutions will provide inaccurate or fake information for their own benefits. Government is more neutral, and it will not show favoritism to any party.”*

### Nearly all participants used the Chinese document only.

All the LEP populations we interviewed preferred in-language documents. However, like the Spanish, the Chinese LEP participants were unlikely to use the English documents, but for different reasons. They still *wanted* the English versions, but more because they recognized that the English documents are the legal document and a translation is merely a convenience.

- They fear making mistakes if they use English documents, and they need to “be sure.”
  - They feel vulnerable without a Chinese document – they don’t want to “have to trust.”
  - They want to be responsible about the largest purchase many will make.
  - Some participants looked at the English to get the gist but were very uncertain of the meaning, so they used the Chinese version to be sure that they understood.
  - Chinese documents make them confident that they are understanding the details and their obligations.
- Chinese documents are more efficient because they save time in getting to the meaning.
  - They don’t need to use dictionary to translate—which many would do when faced with an English only document.
  - They don’t have to use friends and family to provide a translation.

- They don't have to use Google translate which can produce "weird" translations.
- Most understood and commented that the English document is the legal document, so they wanted to have an English version as well as the Chinese version.

### **Use of Internet is generational.**

Most of the Chinese participants reported being agile on the Internet and able to find documents that have been translated as well as videos and other information in Chinese explaining the U.S. loan process. However, older participants were not as agile.

- Older participants expressed reluctance and even avoidance of using the Internet for information, despite saying that they used the Internet to watch Chinese movies. It seemed that they were less comfortable with searching for and sorting information.
- Most other participants stated a clear preference for searching for more information on the Internet on English sites as well as Chinese sites.
  - They used English sites by entering key words, and then using the Google or Yahoo translate function to get a translation into Chinese; they were fully aware of the limitations of these translate functions.
  - They used Chinese sites to search for translated documents from various sources, including U.S. government sites.
- If they are agile on the Internet, participants can easily find information about some information about housing in the U.S.

### **Paying off a loan early is critical.**

Nearly all participants, no matter what age, wanted to pay off the loan early and, interestingly, nearly all mentioned the same set of reasons.

- Many talked about this urgency as a Chinese cultural issue.
  - They want to pay less interest.
  - They feel more secure about ups and downs in the economy if the house has no loan against it.
  - They don't feel that they "own" the home until they no longer are making payments.

- “Pre-payment penalty” in the Stage 1 document caught their attention and had them ask how long it was in effect. Several even commented on the absurdity of having a penalty for giving the bank its money back sooner.
- Several put down very large down payments – e.g., \$200,000 or 30% – then paid off the remaining balance quickly.

### **Participants were acutely aware of difficulties with translations.**

Participants were sophisticated about translations and their inherent problems. They recognized that Internet translation functions can produce some laughable results. Since the point of the translation was to help them clearly understand, they wanted knowledgeable translators.

- Participants wanted translators to have real estate subject matter expertise – whether on the phone or in-person or in the documents. If the concept was not accurately translated, they saw little use for the translation.
- They didn’t want literal translations. They gave, as an example, the opening of the Chinese Notice of Servicer which said, “Your loan has been terminated.” This literal translation clearly missed the mark and created anxiety in some participants.
- Most would verify any translation with more than one source: Google translate, conversations with experienced friends, or a consultation with lawyer. A single source of information was rarely sufficient.

### **Servicer letter with in-language boilerplate did not quite work.**

Our experiment to translate the boilerplate text but leave the specific details in the English version did not work for a variety of reasons. If we could make changes, it is possible that this type of boilerplate text *could be* a viable alternative to translating all documents with borrower details included.

- Some participants got the gist with only the English notice (which we gave them first), and nearly all rated it a “5” or very important. However, their lack of confidence that they understood was evinced by the fact that they asked lots of confirmatory questions of the moderator, such as “Is that right?”
- Both the English and Chinese versions confirmed “what” had happened but raised great anxiety about “why” this happened. Participants asked questions, such as:

- Was Bank A bought by Bank B?
- Did Bank A go bankrupt or close?
- Is this normal?
- Participants did not always realize that the English version had more information:
  - Sometimes they missed the names and addresses in English.
  - Brackets stood out less prominently amidst the Chinese characters than they do in English.
  - One participant suggested inserting a note at the top of the Chinese version telling the recipient to look at the English version for more information. Other formatting changes could also highlight the new information in the English version so that the pair works together better.

### **In-language boilerplate letter raised questions.**

The use of the boilerplate Notice of Servicer Change raised questions about why more effort was not put into the Chinese versions. It was clear that they knew that other languages received support that they did not.

- Several wondered why the translated boilerplate notice did not include specific information.
  - They commented that it didn't seem like it would be hard to put all information into a translated document.
  - They raised the possibility of discrimination when they commented that if Spanish-speaking borrowers are provided translations, why weren't similar translations available for Chinese-speaking borrowers?
  - Several participants pointed out that the New York electric company provides information in Chinese as further evidence that these documents could also be provided in Chinese.

### **Trust is a complicated issue for these LEP participants.**

As we have seen with other language groups, trust is complicated. They see no one source of information as sufficient, and so tend to verify any one source against another. Their skepticism

shows in a kind of “yes, but...” attitude toward all sources of information. The one source of information most participants seemed to trust with only slight reservations was their lawyer and nearly all mentioned using a lawyer.

- Many preferred big banks, like Citi or Astoria, because they were “established” and, thus, trustworthy. At the same time, they often went to Chinese banks or others because big banks have inflexible loan requirements.
- They rely and trust their lawyers who often have worked with them on multiple purchases.
- Like the Korean participants, they have a strong bias against “brokers” who are merely middlemen who charge for services and whose rates are “usury.”
- They use agents as a means of finding a lawyer or lender and as a gateway to the process of buying a home, but believe that they “are just trying to sell you a house.”
- Family and experienced friends are highly trusted, but several reported having been cheated or misled by friends.
- Several referred to being surprised to find “liens” against their property.
- In sum, a translated document is not enough to earn trust and trust is very difficult to achieve.

### **Foreign language and foreign concepts are both issues.**

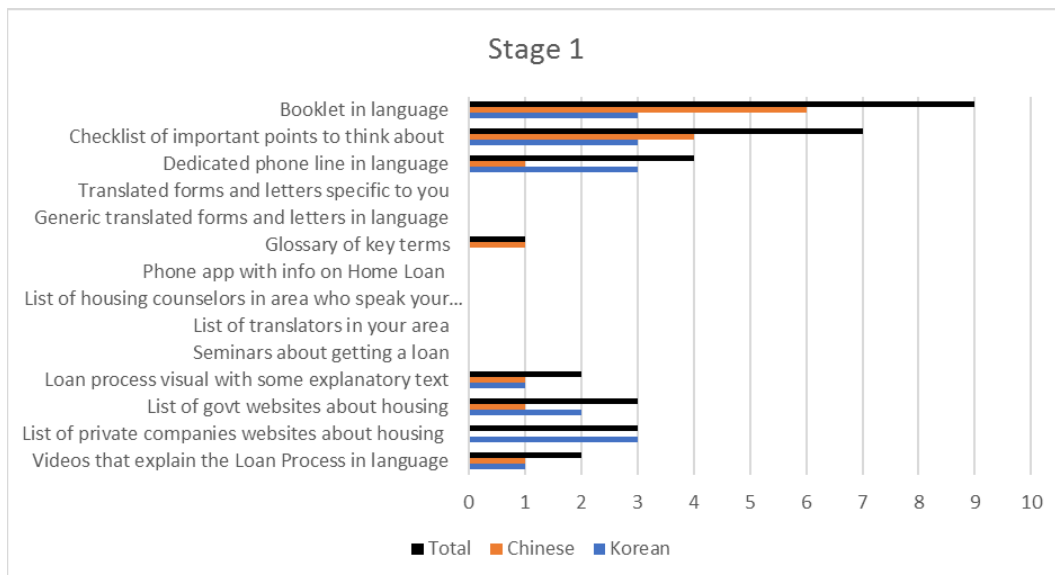
As with the Spanish, Vietnamese, and Korean LEP participants, the issue of financial literacy and language are greatly entwined for the Chinese LEP participants. In many ways, these participants were more sophisticated about home loan process, and many had bought more than one home. They were often literate and agile on the Internet. But even within this context, there were terms they didn’t know. More importantly, we see that their sense of responsibility, their desire to not do something wrong, and ultimately their fear that they might put their ownership of a home at risk drives their need for well-translated documents in Chinese.

- Nearly all participants had the self-confidence that if they could overcome the language barrier, they felt that they would be able to understand the concepts or could research enough to be able to understand.
- They acknowledged that concepts and process are difficult; however, through translations, friends, family, and research, they were sure that they could understand.

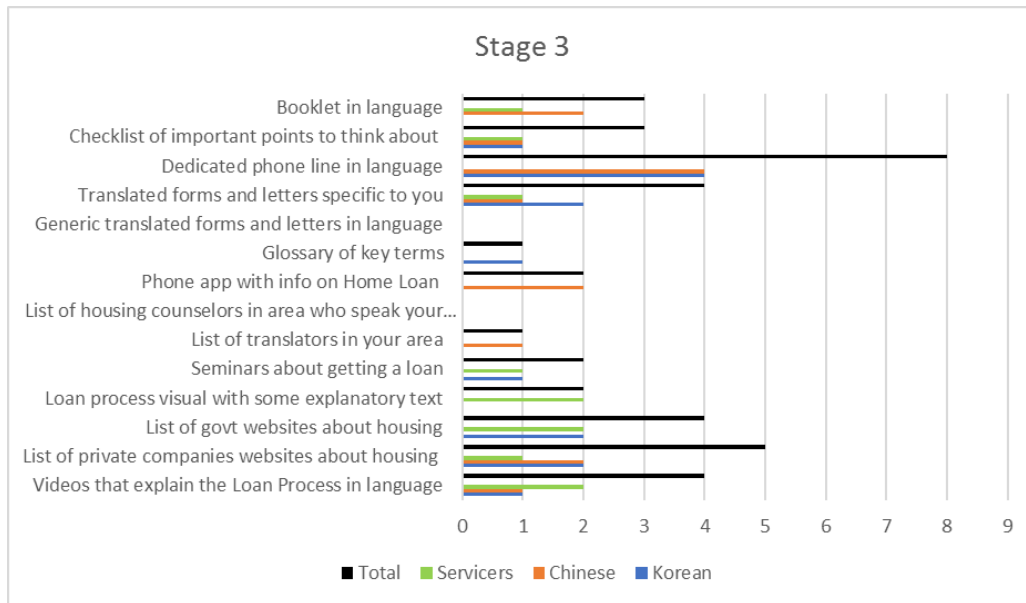
- Several mentioned people with many assets who are afraid to buy because they don't know the process, fear being cheated, and are afraid of making a mistake.
- Some mentioned terms in the Stage 1 document that they were unsure of, even though, when asked, they defined the term exactly right, e.g., "points" or "floating interest rate" vs. "fixed rate."
- One participant said he thinks of the bank as the hardware and the language as the software. He chooses his loan on the basis of the best combination.

## The Kind of Assistance Chinese and Korean LEP Borrowers Say Will Help in Stage 1.

For Stage 1, the Chinese and Korean LEP borrowers greatly preferred the booklet that explains the overall process, especially for first-time borrowers. Once a person has gone through the process and has experience, they suggested a checklist as a shorthand reminder of what they should avoid doing and what they should definitely do. Few Chinese or Korean participants knew what a HUD-counselor was or what kind of assistance they could give.



For Stage 3, the dedicated phone line in your language was highly rated, predominantly by the LEP participants. The LEP participants also wanted translated forms and notices. Both the Chinese and Korean participant saw these as helpful to better understand their obligations and the actions they should take. Because both sets of these LEP participants were fairly comfortable on the internet, the websites of private companies and the government were also highly rated.



## What We Found with New York Industry Participants

### Industry processes are inconsistent.

The industry participants stated that LEP borrowers rely predominantly on family, friends, or agents for most translations. They, nonetheless, provide additional support through various approaches to serving LEP populations.

- There is no consistent method of gathering what language a borrower speaks.
  - Some identify Spanish-speaking borrowers by looking at the name or after talking with them.
  - Any information gathered is sometimes placed in the electronic record, sometimes kept in paper files, and sometimes not retained.



- Only one company had an official policy on how to handle LEP borrowers.
- Companies vary in how they support in-language phone calls.
  - No company had in-house translators who were professionally certified. One participant said they had company-certified translators in house, but only for Spanish.
  - For non-Spanish borrowers, they use a language line (3rd party) whose translators may not be knowledgeable about real estate.
- No participant said they provided closing or servicer documents in-language.
  - One servicer provides ad hoc correspondence in any language (3rd party).
  - Google translate is used consistently to explain words and concepts.
- These participants rated providing in-language documents as important (4 on a 5-point scale).
- Participants believed in-language documents offered several advantages for the LEP borrower.
  - A lower frustration level.
  - A higher comfort level.
  - A way to help them gain a better understanding of any issues.
  - A way to enhance clear communication.

### **Industry participants had opinions about LEP borrowers on trust, language, and concepts.**

Overall, these industry participants echo what we have heard from the LEP participants themselves. LEP borrowers are hesitant to trust institutions and yet want and need some of these second-language services. They also focused more on the fact that most LEP borrowers can understand the numbers, especially interest rate and payment amount.

- Borrowers lack trust of financial institutions.
  - They have uncertainty and insecurity because they must rely on other people.

- They feel vulnerable and out of their environment.
- They face potential prejudice or biases against them because they are immigrants.
- Borrowers have language barriers but understand the numbers.
  - They are often unclear on what to expect and most documents are in English.
  - They find the process overwhelming when they just want to purchase a house.
  - They do better with numbers, *e.g.*, interest rate, because numbers are universal no matter what language.

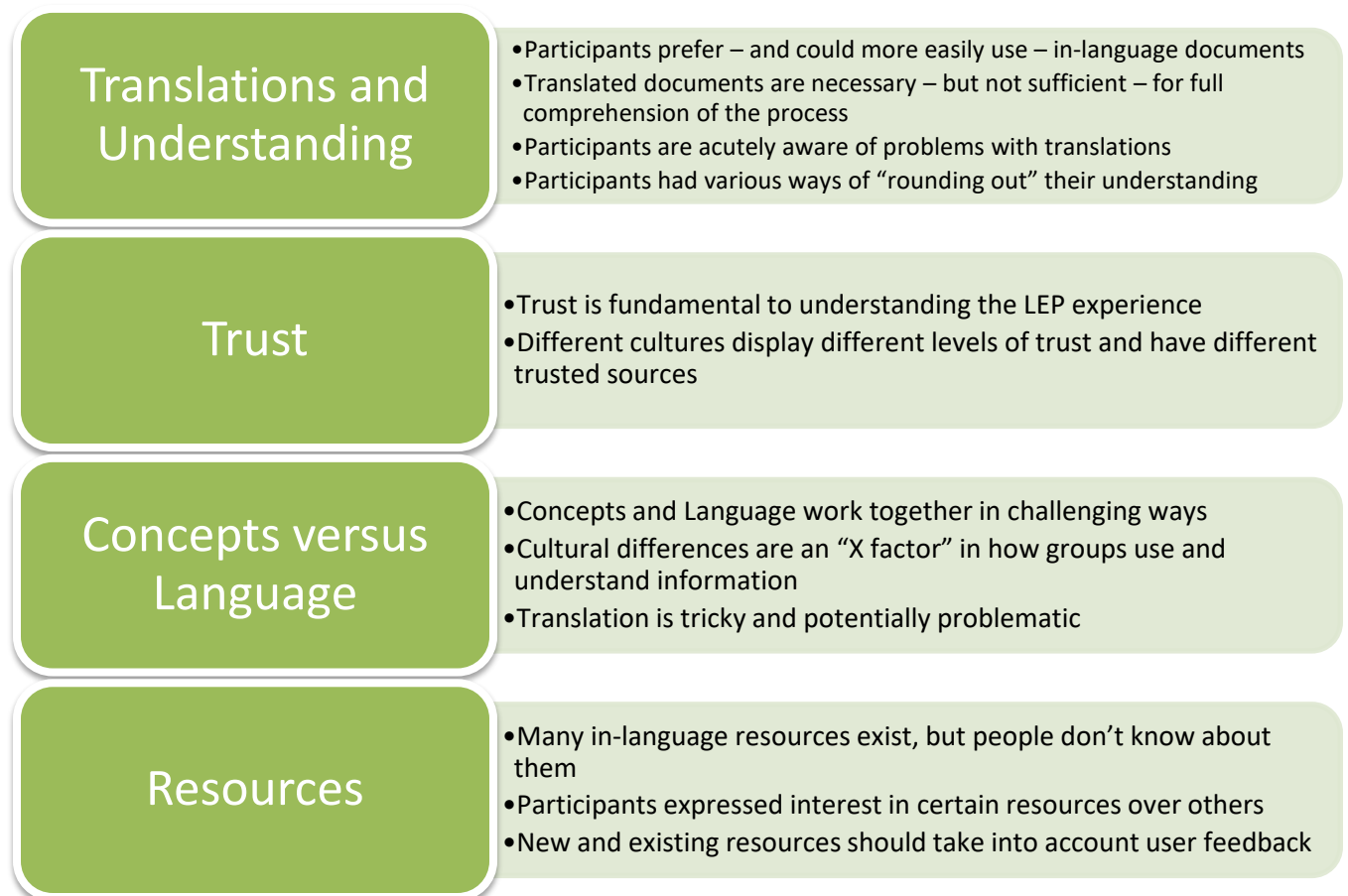
**Industry participants’ suggested several ways that the government, Fannie Mae, and Freddie Mac could provide assistance.**

In New York, this mix of originators and servicers used the list we gave to LEP participants to select a range of suggestions. Their suggestions were:

- Create templates in-language without borrower information,
- Add language preference to the loan application,
- Provide a complete second set of in-language documents,
- Create in-language online materials that are generic to the loan process,
- Add in-language material to the current Freddie & Fannie websites, and
- Provide infrastructure to gather information from multiple agencies.

## Chapter 5. Overall Findings

Over all rounds of testing, we had four overarching themes that emerged. These themes – which are presented in the figure below – will be discussed in more detail throughout this chapter.



### Translations and Understanding

#### **Participants prefer – and can more easily use – in-language documents.**

Unsurprisingly, participants preferred to use documents in their own language. At the same time, their use of in-language documents differed across populations.

- When given the choice, all participants preferred in-language documents.

- Participants did attempt to understand English-only letters, but they preferred in-language to get a complete context.
- However, the use of documents differed across populations.
  - Spanish and Chinese populations were more likely to read only the in-language version of the document.
  - Vietnamese and Korean populations were more likely to use the in-language and English documents together.
- Some suggested that even in-language documents should include some English words and phrases, since not all words have a direct in-language counterpart.

### **In-language documents are useful for other reasons as well.**

Participants reported a range of potential benefits when using in-language documents. For them, these translated documents can:

- Make the process more efficient for LEP borrowers;
- Provide LEP borrowers with a way of not having to rely so heavily on others;
- Give LEP borrowers confidence that they fully understand their obligations;
- Reduce cognitive burden as an individual has a document – not just memory – to rely on; and
- Signify that LEP borrowers are “welcome” to participate in the American dream of home purchase. The documents symbolize the culture wanting to include, and not exclude, them.

### **Though useful, in-language documents are not sufficient for full understanding of the process.**

It is clear that in-language information is beneficial to LEP populations. They help borrowers feel in control as well as gain understanding of important pieces of the home buying process. However, in-language documents alone are not enough.

- The home buying process is complex, unfamiliar, and not likely to be repeated enough for borrowers to be proficient.

- In-language documents help, but they aren't a "magic bullet."
- Not all concepts readily translate, especially literally.
  - Concepts like "escrow" and "balloon payment" may not exist in home countries.
  - Words like "broker" and "agent" have different connotations in home countries.
- Interpretation – or in person translation – is favored by many individuals because they can ask questions, get confirmation of understanding, etc.

### **Participants are acutely aware of problems with creating in-language documents.**

Participants understand the complexities of – and potential difficulties with – translations. Not only are poor translations inefficient, but they often don't provide accurate or appropriate information when the subject matter is complex.

- Participants want translators/interpreters to be knowledgeable about real estate transactions
  - On the phone,
  - In-person, and
  - In written documents.
- They don't want literal translations – such as the servicer letter stating in Chinese: "Your loan has been terminated."
- They question the quality of translations since "you don't know who did it."
- Most would try to verify any translation with more than one source to triangulate their understanding.

### **In addition to in-language information, participants have various ways of "rounding out" their understanding.**

Participants articulated different strategies for understanding complex processes – and information – they encounter.

- All participants used friends and family to assist with many using children to translate documents.

- Chinese, Korean, and Vietnamese participants said it is important to check information – to confirm the meaning, context, and accuracy– often from more than one source.
- Spanish participants were more likely than other populations to accept the translation as is without verifying.
- Chinese and Spanish participants were more likely to reach out to others to get help and assistance.
- Chinese, Vietnamese, and Korean participants were more likely to use the Internet to Google key terms, find additional information, or confirm understanding.

## Trust

### **Trust is fundamental to understanding the LEP experience.**

In every interview, the concept of trust came up in one way or another. Due to language issues, these populations are vulnerable and every transaction is fraught with potential difficulty. Questions around trust are natural as these individuals navigate important – and life changing – events such as a home purchase.

- LEP borrowers are often insecure and wary.
  - They feel “at the mercy” of others.
  - They don’t feel in control.
  - They – or others they know – have been taken advantage of in financial transactions.
- Home purchase is important – even symbolic – and they don’t want to make mistakes.
- Trust is a complex and fundamental issue with all LEP populations as they struggle with questions like:
  - What information should I trust?
  - Which individuals or organizations should I trust?

### **Chinese, Korean, and Vietnamese LEP trust profile: “Trust but verify.”**

For all populations, trust was critical; however, populations had different attitudes and concerns. The Chinese, Korean, and Vietnamese participants were circumspect and cautious.

They were willing to trust some organizations (government, large banks), but they often expressed a need to verify information to confirm its accuracy.

- In general, these populations trust
  - Federal government agencies;
  - Established banks, especially those with high “name recognition” (Chase, Citi, Bank of America) yet understood that these banks were not always available to them; and,
  - Some local banks with representatives who speak their language.
- Many do not trust “brokers.”
  - The term “broker” in these languages does not carry a positive tone.
  - Brokers refer to “middlemen” in dubious deals who charge “usury” rates.
- Many do not trust real estate agents.
  - They feel that it’s “easy” to become a real estate agent.
  - They express concern that real estate agents are just “trying to sell you a house.”
- Friends and family are often used, but they are not necessarily more trusted.
  - They are not necessarily considered knowledgeable.
  - Some participants reported being “cheated” by friends.

**Though the Chinese, Korean, and Vietnamese LEPs appreciate in-language documents, they don’t necessarily trust them.**

In-language information, though useful, didn’t raise the trust level for these participants. Though “nice to have,” it didn’t change their cautious attitudes.

- Participants were appreciative and grateful for in-language documents and information.
- However, having these didn’t seem to influence trust significantly; they still wanted to verify their understanding and the accuracy of the information.
- They would use the translations not because they were trustworthy but because they were more practical.

- They didn't fully trust translators/interpreters or other native speakers since quality and perspectives vary.

### **Spanish LEP trust profile: *"If you speak my language, you have my best interest in mind."***

On the other end of the spectrum, Spanish LEP participants were highly trusting of other Spanish speakers and of translated information. They felt that translated information was "good" in all senses – helpful, useful, and accurate; it raised their trust level.

- Participants expressed a very high level of trust with Spanish-speaking industry members (real estate agents, originators, or servicers).
- They also viewed documents in their language as not just "helpful" but as "useful" and "accurate."
- They seem to trust other Spanish speakers whether that trust is earned or not.

### **Fraudulent behavior is a fear, but misplaced trust makes Spanish LEP borrowers vulnerable.**

The trust this population showed toward other Spanish speakers is positive when an organization wants to help. However, it can leave the individual more vulnerable to predatory lenders who *look like* they want to help.

- Some Spanish LEPs expressed concerns about falling victim to fraudulent behavior and were distrusting of established banks and the financial system.
- However, an overly trusting attitude toward native speakers leaves individuals vulnerable.
- Two participants reported signing then later having changes to their terms that they didn't understand.
- One participant seemed to have been a victim of a predatory housing scheme.

### **Concepts and language work together in challenging ways.**

When asked, participants were divided on whether the major barrier to understanding is the language or the financial concepts themselves. Some felt that, although the financial concepts are inherently complex, they could overcome that barrier with accurate translations. Others felt



that it was not an issue of concepts but rather a language barrier. Still others felt that if they can follow the “math,” then the language isn’t particularly important. However, observing participants tells a different story:

- Language is a barrier for **all** participants – even those who want to learn English or already speak it.
- Financial concepts were difficult for many participants, just as they are for many native English speakers.
- Literacy is also an issue; participants with low education and literacy struggled with both the concepts **and** the language.
- Familiarity and experience impacts understanding; participants with more familiarity struggled less with the documents, even if they had the same level of language proficiency.

### **Cultural differences are an “X factor” in how groups use and understand information.**

However, the barriers that these participants face go beyond simply the language or the concepts. Cultural norms, expectations, and experiences affect their fundamental interpretation of the home buying process.

- Language and concepts interact in surprising ways.
  - Not all terms translate appropriately and certain terms refer to different concepts in foreign languages.
  - Not all terms have a direct counterpart in foreign languages, thus requiring a conceptual description (*e.g.*, “escrow” in Spanish).
- Cultural norms, expectations, and biases impact how participants use information.
  - Cultures who “trust” are more likely to accept translated information at face value.
  - Cultures who “don’t trust” are, alternatively, less likely to accept the information at face value.
- The home buying process is fundamentally foreign.
  - It doesn’t work the same in different cultures.

- It doesn't "translate" easily; the language of buying a house is, itself, a foreign language.

### **Translation is tricky and potentially problematic.**

To achieve true understanding, translations must take into account more than just the individual words. Instead, they must include an active and in-depth interpretation of the concepts and cultural expectations. They must also be viewed through the lens of LEP participants who are unfamiliar with the process.

- Literal translations don't work on specific subject matter.
- Translators don't always have the subject matter expertise.
  - Many participants said they wouldn't trust a translator or interpreter not already in the real estate field.
- Good translation is "tricky," and poor translations can easily have unintended consequences.
  - Communist undertones of Vietnamese documents made participants wary.
  - An overly strong tone in Korean documents made participants think it was a "scam."
  - The use of certain characters in Asian language raised questions (*e.g.*, Korean participants noted that some Chinese-derived characters, or "Hanja," seemed oddly or surprisingly chosen).
- Translations must be rigorously tested to ensure they work for the intended audience and purpose.

## **Resources**

### **Many in-language resources exist, but people don't know about them.**

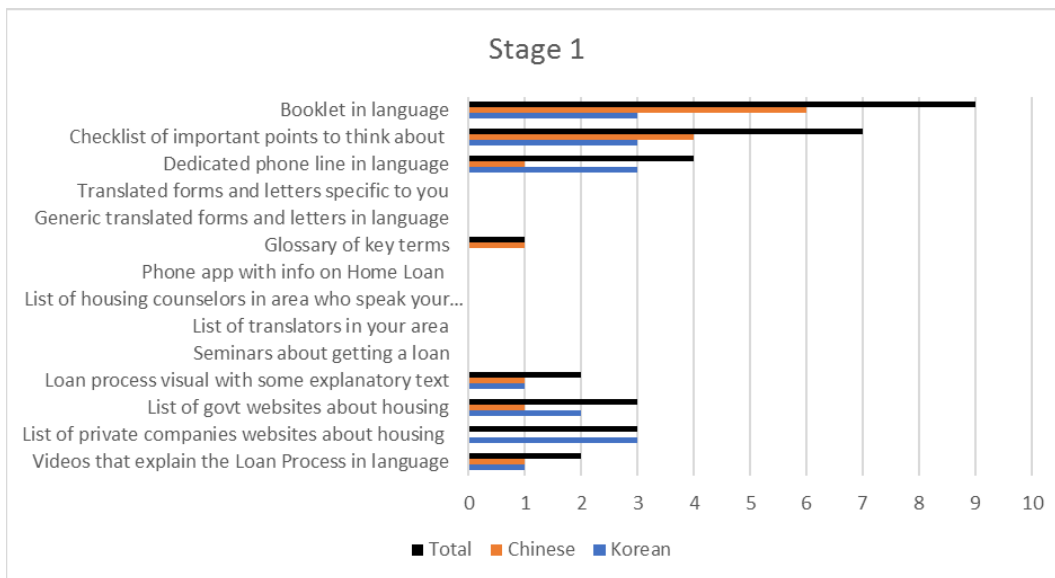
One surprising outcome of this project was finding a number of good, in-language resources that currently exist around home buying. The issue for LEP populations is NOT a lack of resources; the issue IS a lack of awareness of these resources.

- CFPB, HUD, and other federal agencies all have numerous resources both in print and online.

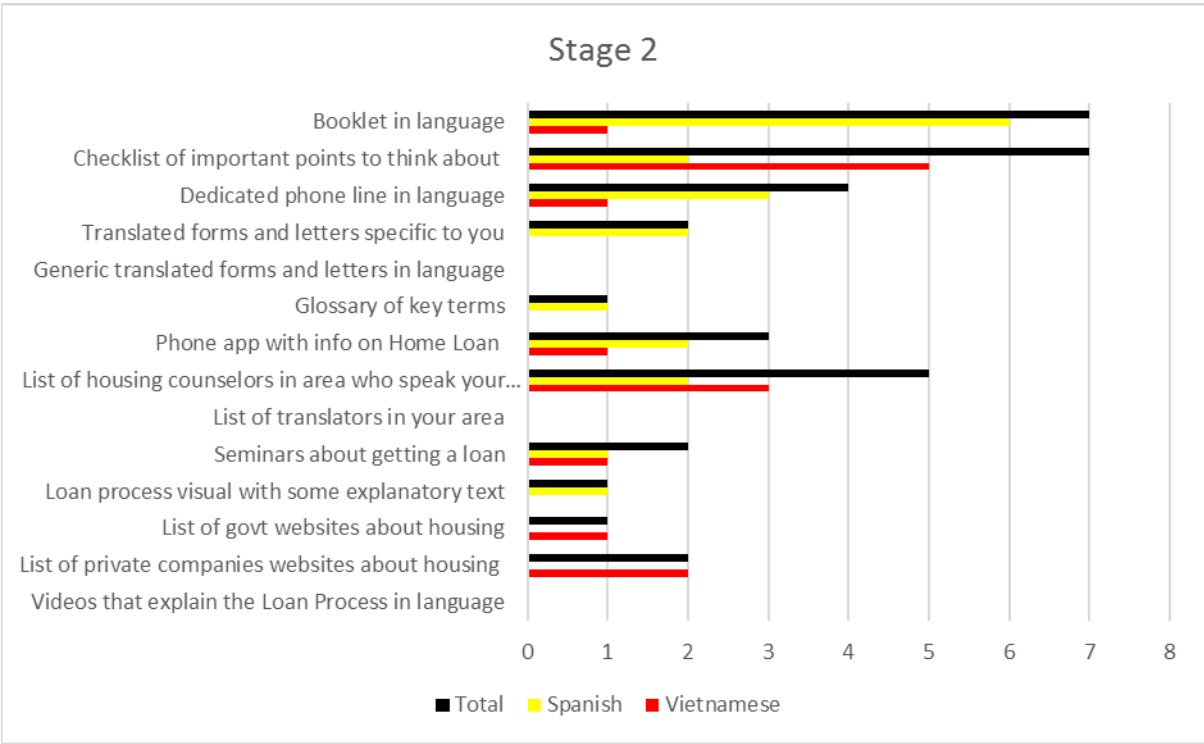
- Participants don't know that these resources exist.
- In fact, participants don't even know which agencies oversee the home buying process.
- Getting the right resources into the right hands at the right times is critical.

**Participants expressed interest in certain resources over others.**

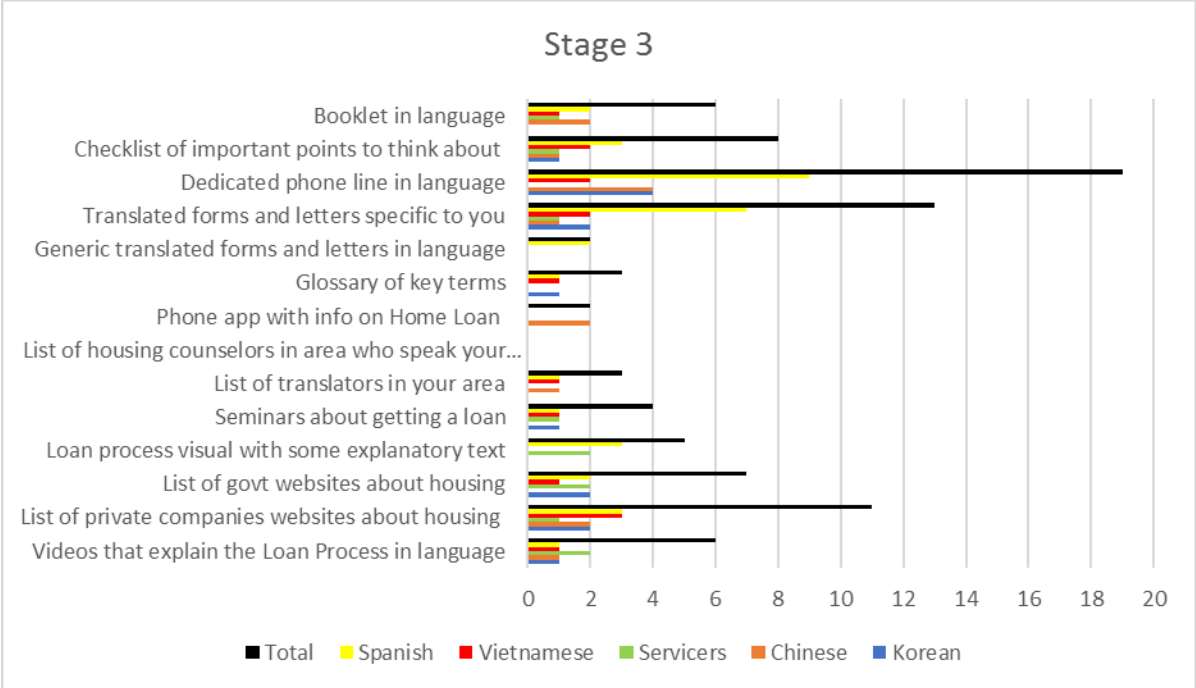
We asked participants to tell us which types of resources they would like at different stages in the process. Stage 1 refers to when individuals would apply for a home loan. We asked Chinese and Korean participants which resources they would like in this stage. The three highest were: an in-language booklet, a checklist of important things to think, and a dedicated in-language phone line.



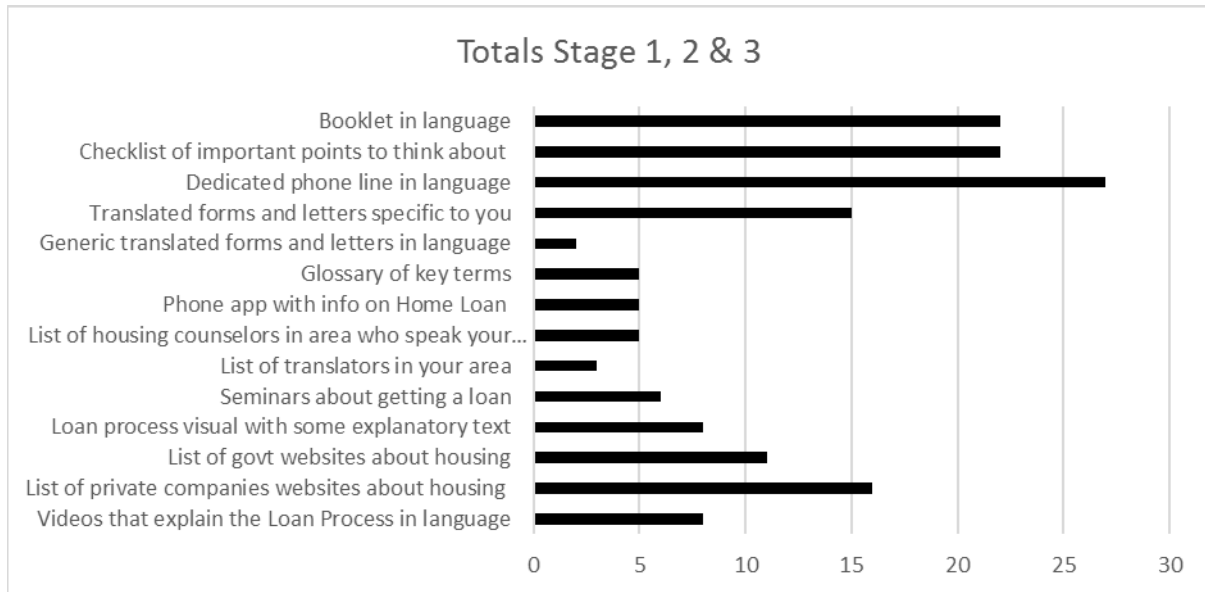
We asked the same question for Stage 2, or the time period when individuals are closing on a home loan. We asked Spanish and Vietnamese participants which resources they would like in this stage. The three highest were: an in-language booklet, a checklist of important things to think, a dedicated in-language phone line, and a list of housing counselors who speak the language.



Finally, we asked all participants the same question about Stage 3, or the time when the loan is serviced. Overall, the highest rated were: a dedicated in-language phone line, translated letters and forms that are customized to the individual, and a list of private companies with websites about housing.



An overall tabulation shows that the highest rated resources for all stages are: a dedicated in-language phone line, a checklist of important things to think about, and an in-language booklet describing the process. These are the types of resources that should be developed or publicized from those that exist.



### **New and existing resources should take into account user feedback.**

We have one important caveat about any resource (both those that are new and those that already exist): it should be tested with actual users. In this testing, we observed how participants used English and in-language documents together. We also used some boilerplate notices (notices that contained the same information as English but without the personal details). Our testing showed that although some participants used both the English and in-language versions together, many did not. Additionally, the boilerplate documents weren't entirely effective because they didn't have enough contextual information for the users. These findings underscore a critical point: good in-language documents need to be effective enough to stand alone. Creating such documents, however, requires excellent initial translation along with rigorous testing. Testing can uncover which words or concepts are problematic and will allow developers to revise the documents effectively for the target audiences.

- Boilerplate documents need to have enough contextual information to stand on their own. Participants did not always realize that the English version had more information:
  - Sometimes they missed the names and addresses in English.

- They didn't have the personal context to fully understand.
- One participant suggested a note in the in-language boilerplate notice telling recipients to look at the English version for more information.
- Additionally, because not everyone used both English and in-language together, the in-language document needs to be as informative as the English one.
- Our findings reinforced a key point: all new and existing resources – *in any language* – should be tested with target users

## Recommendations

We have a range of recommendations that we believe will benefit LEP home buyers. Some of these recommendations may already be in progress, and we hope that FHFA, Fannie Mae, and Freddie Mac continue to invest energy and resources in these directions.

- **Develop a clearinghouse of in-language resources for LEP home buyers.** Such a clearinghouse could pull together the range of existing government resources that exist but are currently in disparate places. As the clearinghouse is developed, it is important to verify the quality of resources with both consumers and certified translators.
- **Aggressively advertise the clearinghouse.** Once it is developed, find ways to market and advertise the clearinghouse to intermediaries (In-language real estate agents, brokers, bankers, servicers) and directly to LEP populations.
- **Invest in additional revising and testing of key documents.** Many excellent resources already exist, such as the boilerplate letters we tested. However, all resources need to be tested and revised to ensure full understanding by target LEP populations.
- **Conduct additional interviews with industry leadership.** Our interviews demonstrated a disconnect between higher level leadership views of LEP borrower services and what is happening on the “front line.” Further research can uncover more about this disconnect and why it exists.
- **Identify and disseminate “best practices” for industry outreach and service to LEP customers.** It is clear that industry wants and needs standards for servicing LEP customers, and this is a long-term endeavor. By talking more with consumers and industry, a solid set of effective practices can be identified, articulated, and shared.

## Appendix A: Demographics

	NY Chinese	NY Korean	Dallas Spanish	Dallas Vietnamese	1 v 1 Totals	Dallas Servicers	NY Industry	Servicers/ Industry Total
<b>Role in Household Finances</b>								
Only person responsible	4	1	2	7	14			
Share responsibility	4	7	5	1	17			
No Responsibility			1		1			
<b>Purchase Status</b>								
Bought/Refi in past 5 years	4	1	5	5	15			
In the process of buying	2			1	3			
Planning to purchase next 2 years	2	7	5	3	17			
Had contact with loan company	6	1	5	3	15			
<b>Gender</b>								
Male	5	3	2	5	15	5	3	8
Female	3	5	6	3	17	1	4	5
<b>Marital Status</b>								
Married	4	6	6	5	21		3	3
Separated			1	1	2			0
Unmarried	4	2	1	2	9		4	4
<b>Age</b>								
25-35		3	1	1	5		2	2
36-45	2		5	1	8		5	5
46-60	4	5	2	5	16			0
Older 60	2			1	3			0
<b>Education</b>								
High School	1	4	5	4	14		2	2
Some College	4	4	1	3	12		4	4
College Graduate/Advanced Degree	3		2	1	6		1	1
<b>Income</b>								
Less than \$35k			6	2	8			0
\$35,001-70,000	4	2	2	6	14	1	6	7
\$70,001-125,000	2	6			8	1		1
Over \$125,000	2				2	4	1	5
<b>Servicer Experience</b>								
Yes						6	3	
No							3	

Bethesda	One - On - One						Focus Group					
	Spanish	Vietnamese	Chinese	Tagalog	Korean	Total	Spanish	Vietnamese	Chinese	Tagalog	Korean	Total
<b>Purchase Status</b>												
Bought/Refi in past 5 years		2	2	1	2	7	3	1	3	2	1	10
In the process of buying	3	2	1	3	2	11	1	1	2	2		6
Planning of purchase next 2 years	3	1	1	3	1	9				1		1
<b>Gender</b>												
Male	0	1	1	0	3	5	1	1	1	2	0	5
Female	3	2	2	3	0	10	2	1	2	1	1	7
<b>Marital Status</b>												
Married	2	2	2	3	3	12	2			2	1	5
Separated	1					1		1	1			2
Unmarried		1	1			2	1	1	2	1		5
<b>Age</b>												
18-30		1				1						0
31-45	3	1	2	2	2	10	2		3	1		6
46-60		1		1	1	3	1			1	1	3
Older 60			1			1		2		1		3
<b>Education Level</b>												
High School	1	1	1			3		1				1
Some college			1		2	3						0
College graduate/Advanced Degree	1	2	1	3	1	8	3	1	3	3	1	11
<b>Income</b>												
Less than \$35k	2	1	1	2		6		1		1	1	3
\$35,001-70,000	1	1		1	1	4	1	1		1		3
\$70,001-125,000		1	2		2	5	2		2	1		5
Over \$125,000						0			1			1