

Adaptation and Homebuying Approaches of Latin American and Indian Immigrants in Montgomery County, Maryland

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Abstract

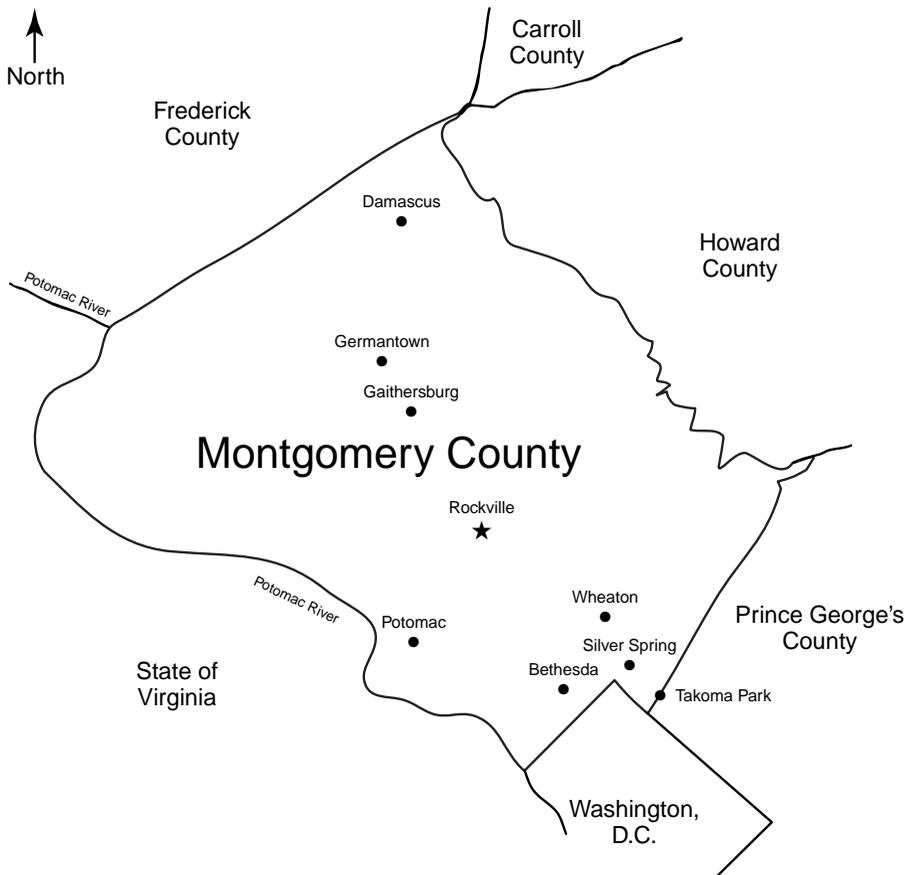
In many rapidly growing communities, immigrant families account for an important share of the area's population growth. After settling into the community and starting their new lives, many of the families become an increasingly important sector of the community and begin looking for homes to purchase. Their success in becoming homeowners contributes to the community's continued growth and stability. The study on which this article is based used ethnographic interviews to examine the way Hispanic and Indian immigrant families in Montgomery County, Maryland, make the transition to homeownership. The research team focused on the ways in which the social and cultural backgrounds of the two immigrant groups and their experiences in the United States created markedly different homebuying patterns and prospects. The article concludes by discussing the policy implications of the study's findings regarding efforts to increase homeownership among immigrant populations.

Five miles from the White House and bordering the District of Columbia, Maryland's prosperous Montgomery County is an integral part of the National Capital area. Although the county is predominantly residential, it is also home to numerous Federal agencies and related private-sector firms and contains many retail businesses, hotels, and restaurants.

The southern part of Montgomery County contains several urban centers, many suburbs, and most of the population. In traversing the county from east to west, the increasing affluence of commercial areas and residential neighborhoods becomes apparent, with the spectrum of housing ranging from modest single-family dwellings and multi-unit garden apartments to highrise condominium complexes, luxury townhouses, and imposing homes. The northern end of the county displays an open landscape where tracts of newly constructed single-family homes and townhouses are interspersed with clusters of farm

Figure 1

Map of Montgomery County, Maryland



buildings, fields of corn, and grazing cattle. For a number of years, but particularly since 1980, Montgomery County's location in the National Capital area—together with its many employment opportunities, public services, and housing options—has attracted extensive in-migration from the United States and abroad.

As part of HUD's four-site ethnographic research project, described in Mitchell Ratner's introductory article, the Montgomery County research team focused its attention on immigrants from Latin America and India—two populations that differ significantly in their backgrounds and approaches to homebuying. We have studied and worked with members of both groups throughout our professional careers, including the 15 years we have lived in Montgomery County. At the outset, we reviewed 1990 national census data and obtained local sociodemographic and housing information from Montgomery County's Planning Department and Housing and Community Development Department. We then gathered primary information through ethnographic interviews with Hispanics and Indians who were in various phases of the homebuying process, as well as with local real estate agents, mortgage loan officers, lending institution officials, and mortgage insurance

representatives who do business with—and in many cases are themselves—Hispanics and Indians.

We began the interviewing process with our existing circle of Hispanic and Indian friends and associates, who in turn provided entry into their respective family, social, and professional networks. This procedure continued until we determined either that the experiences and perspectives of a representative cross-section had been captured or that the information and interpretations gained through conversations were becoming redundant, indicating that additional interviews would not yield new insights relevant to the study. We interviewed more than 70 persons, either individually or in small groups, meeting with them in their homes and in offices, stores, and restaurants. Pseudonyms are used throughout this article to identify the individuals interviewed.

To develop a contextual understanding of immigrant homeownership in Montgomery County, this article begins with an overview of the county's economic and social environment, home purchasing trends, and affordable housing initiatives. The next section discusses the adaptation of the county's Latin American and Indian residents to life in the United States in terms of their migration experiences, educational backgrounds, economic circumstances, sociocultural support systems, and adjustment to America's credit culture. The article then focuses on attitudes toward homeownership and the factors that aid or hinder Latin American and Indian immigrants in the presearch, search, finance/purchase, and postpurchase phases of homebuying. The final section presents the study's findings and their policy implications for increasing homeownership among immigrant populations.

The Study Site: Montgomery County

Economic and Demographic Development

In 1776 the State of Maryland carved territory from the southern portion of Frederick County to create Montgomery County, thus providing the area's citizens with an accessible county seat in the town of Rockville. In 1791 Maryland ceded part of Montgomery County, together with a portion of adjacent Prince George's County, to the Federal Government to provide land for the Nation's new capital. Today Montgomery County comprises 508 square miles and borders Frederick County on the northwest, Howard County on the northeast, Prince George's County and the District of Columbia on the southeast, and the Potomac River and the State of Virginia on the southwest (Farquhar, 1962).

In its early years, Montgomery County contained a number of plantations whose owners relied upon slave labor to work their tobacco crops (Harriet Beecher Stowe's *Uncle Tom's Cabin* was based on events that occurred near the town of Rockville). Yet most of the county's population consisted of white families with small farms and town dwellers involved in a variety of occupations. Although the conclusion of the Civil War in 1865 ended slavery and the plantation system, the county's society and economy remained essentially agrarian throughout the remainder of the 1800s and well into the 20th century (Hiebert and MacMaster, 1976).

In response to the Great Depression of the 1930s, the Federal Government initiated a multitude of programs that drew white-collar workers to the capital area. Many of the new government employees and their families took up residence in Montgomery County. The county's population more than doubled during the next decade, increasing from approximately 35,000 in 1930 to 84,000 in 1940. Montgomery County itself soon became a major Federal employment center. In 1937 the National Institutes of Health (NIH) were established in Bethesda, and in 1942 the National Naval Medical Center was constructed

Table 1

Montgomery County Racial/Ethnic Profile, 1980–90

Race	1980	1990
White	85.6%	76.7%
Black	8.8	12.2
Asian	3.9	8.2
Hispanic (of any race)	3.9	7.4
American Indian	0.2	0.2
Not specified	0.0	3.0

Source: Montgomery County Planning Department, 1991.

Table 2

Median Housing Sales Price, 1992

Type of Home	Sales Price		
	New	Existing	Combined
Single family, detached	\$309,863	\$217,000	
Single family, attached	\$193,257	\$128,500	
All single family			\$183,500

Source: Montgomery County Housing and Community Development Department, 1993b.

nearby. Other new Federal employers followed: the National Bureau of Standards, certain sections of the Walter Reed Army Medical Center, the Atomic Energy Commission, the Food and Drug Administration, and several other components of the U.S. Department of Health and Human Services (Hiebert and MacMaster, 1976). Census figures show that in 1960 the county’s population had grown to 340,000 residents, and by 1980 it had reached 580,000.

The 1980s witnessed another significant increase in employment opportunities in the National Capital area, including Montgomery County. They ranged from entry-level jobs in construction, building maintenance, and hotel and restaurant services to professional and management positions in the Federal Government, related management consulting firms, biomedical research and development companies, and management information systems firms, as well as in the headquarters of corporations, national trade associations, and international organizations.

Because of its nationally ranked public education system (including a 2-year community college), excellent community services, and publicly sponsored affordable housing and fuel allowance programs, Montgomery County became a magnet for in-migration. Between 1980 and 1990 its population surged to 760,000, and the rapid population growth was marked by increased diversification in the county’s economic, ethnic, and cultural composition (see table 1). Foreign-born immigrants accounted for 40 percent of this growth, representing almost 20 percent of the county’s population by 1990 (Montgomery County Housing and Community Development Department, 1993a). These trends have

continued into the 1990s. Between 1990 and 1993, 21,000 persons immigrated directly to Montgomery County from abroad. In 1994 the county's population surpassed 800,000 (Montgomery County Housing and Community Development Department, 1994b).

As of 1990, county residents 25 years of age or older had an average of 16 years of schooling. Ninety-six percent were high school graduates, more than 48 percent possessed a bachelor's degree, and 23 percent held graduate degrees. At that time, the county's median household income was \$54,089, increasing to \$60,214 during the next 2 years (Montgomery County Housing and Community Development Department, 1993b). In 1992 the total number of housing units in the county was 300,655, of which 68 percent were owner-occupied and 32 percent rented. The median price of single-family homes was \$183,500 (see table 2).

Home Financing and Purchasing Trends

A broad array of mortgage institutions in Montgomery County offer home loans, and the county telephone book provides 13 pages of mortgage company listings and advertisements. Many large national and regional banks have multiple mortgage branches in the county, as do local banks. Mortgage lenders without bank affiliations range from national firms to individual brokers who originate mortgage loans to sell to larger institutions. Mortgages are also available from consumer loan companies and credit unions.

Approximately 10,000 homes are currently purchased in Montgomery County during the course of a year (Lusk/TRW/REDI, 1995), and a great majority are financed through conventional mortgages. Most of these are conforming loans of up to \$207,000 that can be sold to Fannie Mae or the Federal Home Loan Mortgage Association (Freddie Mac); a small proportion are nonconforming, or "jumbo," mortgages of \$207,050 or more. Federally sponsored mortgages that require very low downpayments or none and permit more lenient interpretations of debt ratios and problematic credit histories also are used. These include the frequently used, federally insured Federal Housing Administration (FHA) loans and the less often used, federally guaranteed Department of Veterans Affairs (VA) loans.

Other less commonly used home financing options include cash, seller financing, loan assumption, second trust, and rent with option to buy, as well as "B, C, and D paper" loans. The latter, available to customers with poor credit histories, involve greater risks for the investor and higher interest rates for the consumer.¹ In addition, many of the county's mortgage lenders offer loans based on downpayments of 25 to 30 percent that do not require income and asset verification but entail interest rates that are generally 1 percent higher than the typical local rate.

Affordable Housing Initiatives

In the early 1970s Montgomery County experienced a housing shortage, especially in the low and moderately priced range, due to the county government's policy of controlled growth. This situation prompted local citizens' groups to launch a fair housing campaign that resulted in the passage of county legislation easing zoning and density restrictions in 1973, as well as the creation of the Moderately Priced Dwelling Units (MPDU) program the following year. MPDU, administered by the Montgomery County Housing and Community Development Department, specifies that 15 percent of the units for sale in each subdivision of 50 or more units are to be made affordable to moderate-income residents. Between 1974 and 1994, MPDU made 9,046 moderately priced dwelling units available (Montgomery County Housing and Community Development Department, 1994a).

The Housing Opportunities Commission of Montgomery County (HOC) was established in 1979 to carry out a variety of affordable housing functions. These include developing and managing multifamily complexes, administering rent supplement programs for low-income tenants, and funding mortgages for the purchase of affordable homes. To ensure that these mortgages benefit low- and moderate-income purchasers, HOC places limits on the sales price of new and existing homes for which it will provide mortgages, as well as on the level of household income allowed for potential buyers to qualify for its mortgages. Between 1979 and 1994, HOC funded 7,731 home mortgages.

Since its inception, HOC has sought to increase the number of minority group members that utilize its mortgage funds. To this end, it acquired the services of a marketing consultant for advice on ways to reach out to minority communities, and it has sponsored homebuying information workshops and published promotional information in local newspapers. Although recessionary forces reduced the amount of funds allocated to HOC, the rate of participation by minority populations has continued to increase. By 1994 African-Americans, Hispanics, and Asians were participating in the HOC program at levels that were approximately double their percentages of the county's population (Housing Opportunities Commission of Montgomery County, 1994b).

Adaptation to American Society

Migration and Settlement

As noted earlier, Montgomery County's strong economy, excellent public services, and diverse residential options, together with its progressive housing programs, have attracted immigrants from many countries in recent years. These immigrants include the county's new Latin American and Indian residents. Hispanic and Indian immigrants interviewed for this study explained that prior to 1980 their respective local populations were composed mainly of people who were drawn to the area by professional positions and support jobs in their countries' embassies, as well as by employment in international organizations and academic and scientific institutions. Since the early 1980s, however, the number of Latin Americans and Indians immigrating to the Washington, D.C., region has increased considerably.

Between 1980 and 1990 the number of Hispanics in the county more than doubled, rising from 22,790 to 55,684 and increasing from 3.9 to 7.4 percent of the county's population. By 1990 Montgomery County had the largest Hispanic community in the National Capital area, representing almost 40 percent of its immigrant residents. The origins of the county's immigrants are, in order of preponderance, Central America, South America, the Caribbean, and Mexico. El Salvador is the most frequently identified country of birth, and by 1993 Salvadorans composed more than 20 percent of the Hispanic population.

Montgomery County's Indian population grew from 8,649 to 13,339 between 1980 and 1990 and now constitutes the largest concentration of Indians in Metropolitan Washington, D.C. The county's Indian population represents all of India's major regions, especially the metropolitan areas of Bangalore, Bombay, Madras, and New Delhi, as well as urban centers in the northwestern states of Gujarat and Punjab (Montgomery County Housing and Community Development Department, 1993a, 1993c).

Hispanic and Indian immigrants have identified a variety of reasons for leaving their countries of origin, immigrating to the United States, and settling in the National Capital area. Middle-class and poor Latin Americans from both urban and rural settings mention civil strife and economic hardship. Well-educated and entrepreneurial Indians from metropolitan areas in India and elsewhere in the British Commonwealth explain that they

faced intense competition for educational and financial advancement at home. Many came to the United States in the 1980s to undertake graduate training and pursue economic opportunities. A second group of less well-educated and less affluent Indians followed, also for economic and educational reasons, in the late 1980s.

The first waves of the 1980s Hispanic and Indian immigrants went first to U.S. urban centers that contained concentrations of their respective populations and later found their way to the Washington, D.C., region, which promised better employment prospects and less competition in the economic niches commonly occupied by members of their ethnic groups. In addition, the high quality of public education in Montgomery County has been important to all segments of both populations. For those at the lower and middle income levels, the combination of affordable housing and superior public education—including the county community college—represents a significant magnet. And NIH and private-sector research and development firms are a major attraction for professionals (especially Indians) in the health sciences, as is the rapidly growing management information systems industry for computer programmers and analysts. Once the initial waves of Hispanic and Indian immigrants had gained their footing in the county they sent word to their relatives at home, who began immigrating directly to Montgomery County.

Hispanics point out that not all of the county's Latin American immigrants intend to remain in the United States. Many young, single males and married men come without their families to work in unskilled and semiskilled jobs, make as much money as possible in a few years, and then return home. Others are ambivalent about staying. They appreciate the economic and educational opportunities, but they greatly miss their native societies and climates. Perspectives tend to vary with age. Some of the county's relatively few middle-aged Hispanics comment that they are too old to learn new customs and languages. They also note that in the United States older people are not accorded as much respect and attention as in Latin America, and they express concern that if they stay here they may be neglected by their adult children, who have adopted American ways. They indicate that they are likely to return to their homelands to live out their older years with relatives and friends. However, the majority of Hispanic adults in the county are young, and most intend to remain in the United States, especially if they are pursuing academic degrees or earning an adequate amount of money, reside here with their spouses, and wish to educate their children in this country. Teenage Hispanic immigrants almost always want to stay. They enjoy the high standard of living, and they have acquired friends, learned to speak English, and become acculturated to American society.

Virtually all of Montgomery County's Indians state that they plan to remain in the United States. They explain that many of their families left India for Great Britain or for former British colonies in Asia, Africa, and the Caribbean one or more generations ago. They have thus been part of a lengthy process of migration in search of better prospects that has brought them from many other countries to the United States and ultimately to Montgomery County, which they view as their final destination.

The county's Hispanic and Indian populations are communities, in the sense that their respective members share common ethnic identities and cultural traditions. The members do not, however, comprise—or reside in—insular enclaves. Although low-income Hispanics are clustered in rental housing in a few of the county's urban areas, Montgomery County Planning Department census tract records show that the residential patterns of Hispanics and Indians generally resemble the economically based distribution of other county households. Lower and middle-income residents are found mainly in the urban centers and, to a lesser extent, in northern commuter communities, whereas professionals and the more affluent tend to be located in the southwestern suburbs of the county.

Educational and Economic Characteristics

Montgomery County's Hispanic and Indian populations differ in terms of education, English-speaking proficiency, occupation, and household income. Hispanics point out that many Latin Americans come from impoverished communities with limited educational opportunities, and poor youths often forgo schooling to help their families meet pressing financial needs. In contrast, Indians note that their culture places tremendous importance on education, causing families to make sacrifices in their living standards, if necessary, in order to educate their children. They also observe that immigrants from India and the British Commonwealth countries tend to come from metropolitan areas where superior schooling is available and where they have usually received some level of British-style education, which is taught in English and stresses mathematics and science.

According to the 1990 census, among Montgomery County Hispanics 25 years of age or older, approximately 70 percent were high school graduates, more than 50 percent had some college education, and 27 percent held undergraduate or graduate degrees. Approximately 8 percent had less than a fifth-grade education. Among the county's Indians 25 years of age or older, more than 90 percent were high school graduates, approximately 83 percent possessed some college education, and almost 70 percent held undergraduate or graduate degrees. Only 2 percent had less than a fifth-grade education. Of the Hispanics 5 years of age or older, 29 percent reported that they spoke English well or very well, 44 percent that they did not speak English well, and 27 percent that they did not speak English at all. Among the Indians 5 years of age or older, 79 percent stated that they spoke English well or very well, 16 percent that they did not speak English well, and 5 percent that they did not speak English at all.

The county's Hispanics and Indians note that, relative to the size of their respective populations, Hispanics seem to be represented in entry-level and service occupations to a much greater degree than Indians. Hispanics in low-income jobs vary in age, and many take night courses in the English language and technical subjects at local high schools and the community college. Indians who are similarly employed tend to be young and to be pursuing associate degrees at the community college or more advanced degrees at other institutions of higher education in the metropolitan area.

Hispanics describe the typical occupations of the Latin American community as ranging upward from entry-level to professional positions. Typical jobs include restaurant and fast-food work; private home and hotel housekeeping; gardening and groundskeeping; building maintenance; construction and remodeling (painting, plastering, roofing); skilled blue-collar occupations (automobile mechanic, electrician, plumber) and white-collar positions (restaurant and hotel services, retail, and personnel management); entrepreneurial and ownership roles in service industries and real estate; and professional positions in education and health care. Indians present a profile of their community's occupations that ranges upward from restaurant work, cashiering, taxi driving, and photo processing through small store and restaurant operation and ownership, mid-level service industry and banking management positions, computer programming and analysis, and real estate sales to ownership of import-export enterprises, commercial real estate investment, and academic and professional positions in the fields of architecture, chemistry, engineering, finance, medicine, and pharmacology.

Census figures for 1990 showed the median household income of Montgomery County residents of Indian origin to be \$54,260, while that of residents of Hispanic background was \$38,455. This difference was correlated with a higher median education level and English-speaking ability in the county's Indian community, as compared with those of the Hispanic community. However, the census also showed that, compared with the same

groups in the National Capital area as a whole, both the Hispanic and Indian communities of Montgomery County had significantly more education, a greater English-speaking ability, and higher median incomes. The distinctly higher socioeconomic level of Montgomery County Hispanics and Indians, compared with that of their counterparts elsewhere in the area, was frequently mentioned by immigrant homeowners and renters during the ethnographic interviews.

Sociocultural Support Systems

Both Hispanic and Indian immigrants recognize the extended family as an important institution entailing reciprocal obligations and shared resources. They also note that kinship ties can either help or hinder the adaptation process. Family obligations can hinder the adaptation of Latin American immigrants from impoverished backgrounds, who often send half or more of their earnings home. These Hispanics represent a financial mainstay for their families abroad and even for the economies of their birth countries, but their financial disbursement practices impede their integration into the social and economic life of Montgomery County. In addition, resident Hispanics and Indians comment that they are expected to aid their kin in negotiating the processes of immigration, resettlement, and job search. Depending on the numbers and economic circumstances of their newly arrived relatives, the responsibilities can become a considerable burden.

Nonetheless, Hispanics and Indians assert that kinship bonds provide a valuable system of mutual support. They explain that it is common in Montgomery County—as in Latin America and India—for Hispanic and Indian households to include members of three generations, young married couples residing with their parents, and lateral kin such as aunts, uncles, nieces, nephews, or cousins. Although such household compositions may seem complicated and crowded by American standards, the living arrangements greatly reduce an individual's share of the household's expenses. Further, both groups observe that the kin organization is an effective way to pool individual assets and mobilize them in pursuit of collective family objectives.

Moreover, residents of India whose cash reserves cannot be invested well at home have found that the migration of relatives to America opens a potentially lucrative avenue, as they can arrange to have the immigrant family members make fruitful investments for them in the United States. Generally, however, the money does not come directly from India, due to restrictions on international transfers. Ramesh, a New Delhi-born mortgage loan originator, explains the way such transfers are usually accomplished:

In India, Party A gives cash to Party B; then, in the United States, a relative of Party B gives the same amount of cash to a relative of Party A.

In the National Capital area, and specifically in Montgomery County, Hispanics are aided in adjusting to their new environment by transported cultural elements reminiscent of Latin America. Spanish-language radio stations, television channels, and periodicals and newspapers are available. Local Roman Catholic and Protestant Evangelical churches hold services in Spanish for their Hispanic members. Restaurants, food markets, and other stores offer items familiar to Hispanics, and retailers of automobiles, appliances, and furniture employ Spanish-speaking personnel. Further, the county contains many Hispanic real estate agents and mortgage loan officers whose knowledge of the sociocultural backgrounds and language of Hispanic immigrants enables them to play an essential brokering role in the homebuying process. These familiar cultural elements and ethnic networks are especially useful for Hispanic immigrants who do not speak English and are unaccustomed to American culture.

The Montgomery County government maintains six service center offices that are staffed at least part time by people who speak Spanish, and six private, nonprofit agency offices geared toward Hispanics are also located in the county. These public and private agencies assist Hispanic immigrants by providing legal aid in securing residency visas and citizenship and by counseling them on employment opportunities, low-cost rental housing, fuel allowances, childcare services, English language instruction, and other educational resources. It is possible for Hispanics to live and work in Montgomery County almost completely within a Latin American cultural milieu. But Hispanics who have been in the United States for a number of years caution that immigrants who depend exclusively on Spanish-speaking persons in conducting business place themselves at a marked disadvantage. With chagrin they cite cases in which some long-term Hispanic residents have taken advantage of new arrivals by engaging them in fraudulent car purchase arrangements and pyramid money schemes. These long-term residents stress that it is crucial for Latin Americans to learn English rapidly and become familiar with American customs, especially business practices, if they hope to adapt successfully to American society.

The county's Indian community has also created a sociocultural environment that eases the adjustment of new arrivals. The immigrants have access to Indian radio and television programming and to local Hindi-language newspapers. Two Hindu temples, a mosque, and a Sikh temple serve Indian congregations. Indians have established numerous restaurants, food markets, and shops oriented to people from various parts of India, and they are also very active in all aspects of the residential real estate industry. Recent Indian immigrants state that although they rely strongly on relatives during their adjustment to American life and less so on ethnic networks, they do not as a rule seek the assistance of local agencies.

Adjustment to American Credit Culture

Montgomery County's Hispanic and Indian immigrants note that in their native countries they were accustomed to conducting business in cash and on a face-to-face basis. One example of the way they adapted to the lack of established bureaucratic financial systems was with rotating credit associations. The indigenous terms for this informal financial arrangement vary. Bolivians call it *pasanaqu*, a Spanish-Quechua word meaning "to pass from hand to hand"; Peruvians refer to it as *junta* (council) or *pandero* (tambourine). Hispanic and Indian immigrants explain that despite having different local names, all such systems work in a similar fashion: organize a group of relatives or close friends; reach agreement on the amounts of cash to be contributed each week or month; and determine the order in which the collected funds will be distributed, such as by drawing lots or according to the obligations of various group members (weddings or livestock purchases, and so forth) at certain points in time.

Both Hispanics and Indians believe that this type of informal financial mechanism is useful for small numbers of relatives and neighbors in close-knit communities who seek to enhance the collective effectiveness of scarce resources. However, they say that it has less utility for people living in a complex society who may need to secure large amounts of money for major purchases, and they are unaware of the existence of such rotating savings and distribution arrangements in Montgomery County.

Hispanics also note that in many Latin American countries banks are not as reliable as they are in the United States, and in rural areas they are rare, so people tend not to deposit money in them. The wariness of Hispanic immigrants toward banking institutions was reinforced a few years ago when the failure of the uninsured Latin American Bank in Washington, D.C., caused many depositors to lose their life's savings. Members of the Hispanic community have reacted to this event in two very different ways. Younger

adults in their 20s and 30s now tend to make sure that banks are insured before placing money in them. Older persons, who are generally more distrustful of formal institutions and regard their finances as very private, often prefer to keep their money at home. Referring to this behavior, Pablo, a Bolivian-born mortgage loan officer, wryly remarks, "They like to go to sleep at night on top of their money."

Indians note that in India bank accounts are used mainly for commercial business transactions, and that individuals seldom have savings or checking accounts. As with Hispanic immigrants, it seems that younger Indians are more inclined to keep their money in American banks, older ones less so.

Latin American and Indian immigrants also state that in their native countries they were not accustomed to borrowing money from banks or other formal lending institutions and dislike the notion of being in debt to anyone other than relatives. Roberto, a Nicaraguan plumber, comments, "Debt is a burden, and it puts you at the mercy of the person you owe money to. It's all right to ask an uncle or a *compadre* (co-godparent) for a loan, but it's not wise to borrow money from people you don't even know." Krishna, an Indian computer programmer from Bangalore, expresses a similar view, "Banks are okay, but it's better if you only borrow and lend among relatives. That way, it's a family matter, and you don't have to pay back extra."

America's credit culture, which entails incurring debt in order to establish a credit rating, is novel for most Hispanic and Indian immigrants. Leticia, a Colombian-born attorney who provides legal aid at a nonprofit community service agency, comments on problems that can develop:

Usually, after entering the United States, Hispanics buy their first automobile—used—with cash. After they have been here a while and have become more used to American ways, they are likely to purchase their second car—new—on credit. In this way they burden themselves with a large debt that requires sizable monthly payments for which they may not have budgeted.

She adds that the use of readily available credit cards poses a potential danger for Hispanic immigrants: They can make purchases without understanding the repayment requirements or realizing how rapidly charges can mount.

The American credit culture requires adjustment on the part of Indian immigrants as well, and some say they prefer to continue doing business in cash whenever possible. In general, however, their knowledge of English language and mathematics, as well as their cultural traditions of entrepreneurship, enable most Indians to adjust readily to American business practices and to pursue the many investment opportunities they find in this country. They explain that they are usually cautious in their use of credit cards and try to avoid, or at least minimize, incurring debts that require interest payments.

The experiences of Juan, a 32-year-old Salvadoran immigrant, are illustrative of the ways that Latin Americans attempt to adapt to life in Montgomery County. In 1986, when Juan was a first-year accounting student at an El Salvador college, his father was killed in an automobile accident. As the eldest son, Juan gave up his studies to assume responsibility for his family's economic welfare. He soon concluded, however, that it would be impossible for him to earn enough money in El Salvador's war-ravaged economy to provide for his mother and younger brothers and sisters. He therefore traveled to California and then to Montgomery County, where his cousin Dolores and her husband Jorge provided him a room in their home. Jorge helped him find work as a roofer in the construction company

where Jorge and many other Latin Americans were employed. Juan contributed to the household expenses and sent most of his remaining earnings to his mother in El Salvador.

Then Juan met and married Peruvian-born Monica, a secondary school graduate. Monica, who had been employed as a travel agent in Peru and Mexico before coming to live with a cousin in Montgomery County, works as a housekeeper in several private homes. Juan, Monica, and their young son now live in a predominantly Latin American garden apartment complex in a semi-urban area of the county. Juan continues to work as a roofer and Monica as a housekeeper. Juan now sends less money to his mother because economic conditions in El Salvador have improved somewhat, and his siblings are old enough to work. A few years ago, Juan and Monica started to put their savings in a local bank. They have cautiously entered the credit economy and have purchased several household items and an automobile on which they make regular monthly payments. Both Juan and Monica are studying English at a local high school at night and are gaining confidence in their ability to use the language. They intend to earn degrees at the community college; he aspires to be a computer technician, and she a counselor.

Mohan, a 35-year-old man from the Indian port city of Madras, provides an example of the first wave of 1980s Indian arrivals. After Mohan received his bachelor's degree in finance from a British-style college in Madras in 1982, he and his father decided that his career prospects would be greater in the United States. With partial financial support from his father, Mohan came to the United States and began graduate studies in finance at a university in the Washington, D.C., area. When he first arrived, he lived with other Indian students in a rented house and held a variety of part-time jobs, including driving a taxi and working in a 24-hour convenience store. In 1988 Mohan earned a Ph.D. and acquired a faculty position at his university. He then returned to Madras and, through an arranged marriage, wed Mangala, who had just earned an accounting degree from his Madras alma mater.

Mohan, Mangala, and their son and daughter now live in a three-bedroom home in suburban Montgomery County that they purchased with the help of a loan from Mohan's father. Mohan is a tenured associate professor and also provides private financial consulting, and Mangala is a partner in a local accounting firm. Their competence in English has facilitated their adjustment to American society. Further, their educations in finance and accounting have proved very useful in their business endeavors, which include ownership of a rental house and a partial interest in a small shopping mall.

Thus Montgomery County's Hispanic and Indian immigrants manifest significant differences in their migration experiences, educational backgrounds, economic circumstances, use of support systems, and adjustment to the American credit culture. This combination of factors markedly affects their adaptation to life in their new country and—as will be shown—to their views on homeownership and their approaches to homebuying in Montgomery County.

Approaches to Homebuying

Both Hispanics and Indians explain that homeownership is relatively rare in the urban areas of their countries of origin. Because existing homes tend to stay in the same families from generation to generation and because new construction cannot keep pace with demand, private homes are scarce and expensive, and the great majority of urban residents have no choice but to rent. In Latin America and in India, homebuying activities are undertaken within a predominantly cash economy. To purchase a home, it is often necessary to wait until later in life in order to amass sufficient money for the transaction. The more

common practice in both urban and rural settings is to pay cash for a vacant parcel of land, construct a simple structure of a few rooms and, as subsequent amounts of cash are accumulated, to add more rooms and perhaps more stories to the dwelling.

Hispanics state that Latin American homebuying procedures tend to be rather straightforward. Celia, a Mexican real estate agent, gives an example:

Mr. Gomez decides he wants to buy a home and asks around the neighborhood about who may want to sell. He learns that Mr. Perez down the block is thinking about selling his house. Mr. Gomez then approaches Mr. Perez with an offer, and they come to terms. Mr. Gomez pays Mr. Perez some cash, and Mr. Perez agrees to finance the remainder for Mr. Gomez. Next they go to a notary to authenticate their simple, one-page agreement. Mr. Gomez then proceeds to make regular payments to Mr. Perez until the loan is paid off.

Smita, a bank officer of Gujarati heritage, describes a typical experience in India:

Usually, if a person decides to borrow money for the construction or purchase of a home, it will be in the form of a personal, unsecured loan, for which older family members and even friends will cosign. Mortgages have recently become available, but people don't like to use them, because you end up paying exorbitant commissions and interest to mortgage lenders, who are not well regarded. Indians in America, like those in India, hate this kind of debt because they hate the idea of paying interest.

Hispanics who have come to the United States on a temporary basis with the intention of earning money and returning to their native countries rarely wish to buy a house in Montgomery County. Rather, it is common for some of the money they send home to their families to be earmarked for the purchase of land and incremental construction of homes in Latin America.

Other Hispanics, usually young men in low-income jobs who send much of their wages to their families abroad, indicate that they are not sure whether they will eventually go back to their countries of origin. Even those low-income persons who have decided to stay in Montgomery County usually do not feel financially secure enough to venture on a homebuying search in this country in the foreseeable future. For example, Jaime, a waiter from Honduras, declares:

We don't even think about buying a house now. We're just trying to survive from one day to another. Besides, at our age, we wouldn't expect to have our own houses back in our own countries, and it must be much more expensive to buy or build a house here than over there, anyway.

His friend Antonio, a busboy from Guatemala, adds, "We don't make anything like that kind of money. And we send most of the money we earn home to our families."

Many young Hispanic households, however, do have the financial resources to become homeowners in the county. Hispanic real estate agents, mortgage loan officers, and HOC officials express concern that many eligible Hispanics do not begin the homebuying process because they lack understanding of the American system of home financing and purchasing. The agents and loan officers comment that some Hispanic immigrants have an exaggerated notion of the amount of money needed to make a downpayment and secure a loan. They point out that couples with dual incomes from unskilled and semiskilled jobs often have sufficient income and savings to qualify for mortgages, especially for Federal Housing Administration (FHA) and HOC loans, but are not aware that they could

qualify. Hispanic real estate agents and loan officers, as well as HOC staff, explain that they devote considerable effort to trying to reach and educate this type of potential homeowner about home purchase and finance by holding workshops and advertising in local Spanish-language newspapers.

Self-declared middle-class and upwardly mobile Hispanics and Indians who express an intent to stay in Montgomery County place a high social and economic value on owning a home there. Rosa, a Mexican-born hairdresser, puts it this way:

In America, owning your own house is very important. It says you are somebody serious and responsible. It means you are independent, and no landlord or manager can boss you around and tell you what you can do and what you can't do in your own home. Also, you can have your own garden and grow your own flowers and herbs without somebody coming around and cutting them down.

Rajiv, a restaurant owner from India's Punjab state, stresses the financial advantages of homeownership:

It is very important for Indians to buy homes in the United States. Not only is it a home, it is prestigious and part of the American ideal. And it is a major investment, too. Also, the tax advantage is very important: Nobody wants to pay taxes if they don't have to.

Renting, however, is viewed negatively by Montgomery County Hispanics and Indians. While recognizing that being a tenant is often a financial necessity, they assert that it is preferable to live with relatives, if possible, until it is feasible to buy a home. Members of both communities frequently refer to renting as a "waste of money," since it depletes financial resources that could be put toward the purchase of a house and delays the attainment of homeownership. Thus, for most of Montgomery County's Hispanics and Indians, homeownership in the county is an important objective. There are a number of factors that either impede or assist them as they move through the homebuying phases of presearch, search, finance/purchase, and postpurchase.

The Presearch Phase

Montgomery County Hispanics and Indians in the presearch phase tend to be fairly young, either single or married, and currently living with their parents or other relatives. They say that they are not yet ready to attempt the purchase of a home, but are seriously considering entering the search phase within a few years. Typically, they first want to deal with other priorities, such as securing and maintaining steady employment, earning more money, purchasing an automobile, or obtaining an academic degree. Some recognize that they will need a mortgage loan to buy a home and believe they should establish a good employment record and credit history that make them appear dependable and responsible before proceeding further. Hispanics and Indians in the presearch phase often scan advertisements in local newspapers printed in English and in their native languages. They study the types, locations, and prices of available homes, and they may seek the advice of older family members and sometimes of real estate agents known to the family when formulating their long-term homebuying strategies.

Sergio, a single, 29-year-old Ecuadoran who is an assistant restaurant manager, is in the presearch planning stage. He came to the National Capital area 8 years ago with his parents. Because his father did not like the climate, his parents returned to Ecuador after a few years, but Sergio remained here. He now lives with his older sister, her two daughters, and one of his brothers in a suburban, four-bedroom house in Montgomery County

that his sister and her husband (from whom she is now separated) purchased about 15 years ago. When his sister was first separated, she needed Sergio's help in meeting the mortgage payments, but she and the other brother now make sufficient money to cover the payments without Sergio's assistance.

Because Sergio views homeownership as a sign of prestige and a valuable investment, he is giving strong consideration to purchasing his own home in about 2 years. He thinks he will probably purchase a townhouse in a moderately priced development. First, however, he wants to complete his associate degree in restaurant management and further enhance his employment and credit records. Sergio does not anticipate problems in securing a mortgage loan because he is steadily employed, has established a bank account that earns interest, makes his car payments on time, and uses his credit cards carefully. Also, he believes the transaction will be successful because he has an adequate command of English and has learned how to conduct business in the United States through his college courses and on-the-job training. Sergio is being advised by a Chilean real estate agent who has said she will help him when he is ready to purchase a house.

Vijay, a 25-year-old single male pharmacy student from Gujarat state, who arrived in Maryland in 1990, is representative of an Indian immigrant in the early presearch phase. Having recently received a B.S. in chemistry from a public college in another part of the State while working part-time in a photocopying store, Vijay has begun to study for a master's degree in pharmacy at the State health science center in Baltimore. He lives with his older sister, her husband, and their two young sons in their three-bedroom house in an urban area of Montgomery County, and he commutes 45 miles to his classes. He contributes to the household expenses and works part time in his brother-in-law's liquor store.

Vijay intends to buy his own home in a few years but has a number of priorities he wants to attain first. These include his pharmacy degree, a steady and well-paying professional position, and a new car. He plans to finance the car and establish a good credit rating by making prompt monthly payments. Vijay thinks he will probably start to search actively for a home either when he marries or when his sister and brother-in-law have another child and need the room he is using. He will rely on their experience and advice while deciding on the type and location of the house and selecting a real estate agent. He is fairly certain that his sister and brother-in-law will lend him money to help with the downpayment.

The Search Phase

Montgomery County Hispanics and Indians state that they consider a number of factors as they search for a home to purchase. These include cost and availability; the relative advantages of detached houses and townhouses; and the advantages and disadvantages of various residential locations in terms of population density, safety of persons and property, and proximity to relatives, ethnic networks, familiar cultural institutions, stores, schools, workplaces, healthcare services, recreational facilities, and public transportation.

Hispanics and Indians in the home search phase read numerous newspaper advertisements in newspapers printed in English and their native language and usually look at homes for sale in various parts of the county to compare what they have read with what they see. As a rule, they discuss the house types, locations, and costs with relatives and friends. When selecting real estate agents and loan officers to help them search for a home and finance its purchase, Hispanics and Indians tend to differ in their approaches. Hispanics note that they are inclined to seek out other Hispanics to assist them in these procedures, whereas Indians say that they are more interested in securing the best buy at the lowest interest rate than in the ethnic identity of those with whom they deal.

Carmen, a Cuban-born real estate broker, stresses that prospective Hispanic homebuyers, like most others, need to be educated about the process of purchasing a house. Some have unrealistic expectations and are unprepared to select a house and obtain a mortgage. Therefore, she explains, she and her agents will not show clients a home without first prequalifying them for a loan, usually with the assistance of mortgage loan officers. Carmen comments that in the case of persons with credit problems, prequalification can continue for years because of the time needed to correct the problems and demonstrate a year or more of timely debt payment.

Hispanic real estate agents and loan officers note that Hispanics have difficulty with credit for a variety of reasons. Some simply lack a credit history because they do not use credit cards and because their names do not appear on apartment leases or utility bills to which they contribute payment. Others have poor credit records because they overuse credit cards and fail to adhere to payment schedules. In addition, some Hispanics also have trouble understanding the American healthcare system and its billing practices. They incorrectly assume that their insurance policies will directly cover all their medical expenses, only to have unpaid medical bills show up on their credit reports.

Hispanic personnel in local social service agencies feel strongly that the county's Latin American community has an urgent need for education about U.S. home financing and purchasing practices, as well as savings and credit use. Regarding the latter, one staff member declares "many have had to learn the hard way." These service agency staff note that community centers would be ideal places in which to hold orientations for Hispanics and disseminate information on savings, credit, and home finance and purchase. They recommend that the information be presented in simplified form through Spanish-language factsheets, radio station and television programming, and newspapers, as well as through "a telephone number they could call, with real people on the other end who speak Spanish." One staff member suggests—and others concur—that an effective tool for educating potential Hispanic homebuyers might be a *fotonovela* (photonovella), a comic book type of magazine that is very popular in Latin America, particularly among the less literate. A *fotonovela* contains characters who act out a story, entails a minimum of written dialogue and accompanying narrative, and unfolds the story through a series of moving picture-style frames to a conclusion.

Real estate agents and mortgage loan officers, Indian and otherwise, state that Indians in the search stage can almost always prequalify for a loan. Further, MPDU and HOC staff note that Indians increasingly participate in their programs. Some MPDU staff joke that "the program must be well known in Calcutta," because Indians seem to be aware of it upon arriving in the county. MPDU and HOC staff members observe that among the immigrant loan applicants they encounter, Indians seem to be especially well prepared to provide documentation of tax returns and bank statements.

Two Hispanics engaged in the homebuying search phase are Juan and Monica, the married Salvadoran roofer and Peruvian housekeeper introduced earlier. Juan and Monica want to escape the drug-related crime that is beginning to appear around their apartment complex and to purchase a moderately priced townhouse in the northern part of the county, where good schooling is available for their son. Other important considerations for Monica are to live in a neighborhood composed mainly of non-Hispanics—which will force her and Juan to become more fluent in the language of their new country—and to have accessible public transportation for her daily trips to clean houses in the southern part of the county. Juan and Monica would prefer to buy a new townhouse, but if they cannot afford it they will settle for an older one in good condition. The physical state of the townhouse is of paramount importance to Juan, who has doubts about taking on such

a great financial responsibility and wants to minimize the need to spend limited capital on expensive repairs. Juan has insisted that he wants to deal only with a real estate agent who is Hispanic, because he feels he can more fully comprehend the complicated homebuying and financing procedures if they are explained in Spanish. He and Monica have met with a Cuban real estate agent, who has called in a mortgage loan officer to assist them. Because of the size of their incomes and their savings account, as well as their excellent credit history, they have successfully prequalified for a mortgage. In the company of their real estate agent, they have begun to look at townhouses.

Anil, a Gujarati grocery store owner in his late 30s, is illustrative of Indians involved in the search phase of homebuying. As a child, Anil immigrated with his parents to Florida, and after about 15 years they moved to Montgomery County. He graduated from the county community college with a degree in business administration. Later, with the help of his father, he bought a video store franchise. After he was bought out by a large video store chain, he purchased a grocery store, again with his father's assistance. In 1988 Anil was wed, through an arranged marriage, to Geeta, a woman of Gujarati heritage who had grown up in Florida and earned a business degree at a college there. Anil and Geeta resided with his parents for 2½ years before attempting to purchase a house. He points out that in India it is traditional for young couples to live for a time with their parents. Even though his wife and mother did not get along well, this arrangement was a much better choice than renting, he notes, for that would have been a waste of money that they could have eventually put toward a home of their own.

In 1993, after the birth of their first son, Anil and Geeta decided they wanted to buy a house. The considerations that guided their search included Anil's wish to live in the same semi-urban neighborhood as his parents, which would allow Anil to visit them readily and also to gain contacts among the leaders of the Indian business community who often congregated at his father's home on weekends for Hindu services and festivals. Moreover, such a location would place Geeta fairly close to the bank in which she worked.

Anil and Geeta were interested in purchasing a type of home common in the area: an older, detached, single-family brick house with three bedrooms. Given the advertised prices of such houses, however, they would only have enough cash to make a 10-percent downpayment. In order to make a rapid home purchase without expending time and effort on income and asset documentation, and also to reduce the size of the mortgage on which they would have to pay interest, Anil borrowed 15 percent of the purchase price from his father, arriving at a total downpayment of 25 percent. He then approached, in turn, two non-Indian real estate agents, neither of whom indicated interest in doing business with him. Anil did not know the reason for their behavior, but when he contacted a third agent he made sure to state immediately that he was prepared to make a 25-percent downpayment. This agent responded eagerly and helped Anil and Geeta find the kind of house they wanted in the neighborhood of their choice.

The Finance/Purchase Phase

The 1990 census reported a 43-percent homeownership rate for Hispanics in Montgomery County, somewhat higher than the Hispanic homeownership rate of 37 percent for the Washington, D.C., metropolitan area and much higher than the rate of 18 percent for the northeastern United States (Joint Center for Housing Studies of Harvard University, 1994). The homeownership rate for Montgomery County's better educated and more affluent Indian community was 72 percent, not only higher than the county's Hispanic homeownership rate, and the 65-percent homeownership rate for the Indian population in the Washington, D.C., metropolitan area, but also higher than Montgomery County's overall homeownership rate of 68 percent.

Montgomery County real estate agents, mortgage loan originators, lending institution officials, and mortgage insurance representatives—as well as MPDU and HOC staff—note that the county's Hispanics and Indians demonstrate different tendencies when seeking financing for their home purchases. Hispanics usually apply for FHA-guaranteed loans or conforming Fannie Mae and Freddie Mac mortgages. The remainder are various types of unconventional loans and some VA and HOC mortgages. In contrast, the generally more affluent Indians obtain most of their mortgages through conforming loans. To a lesser extent, they also use conventional jumbo loans, FHA mortgages, and some unconventional loans. On the other hand, low- and moderate-income Indians who are more recent arrivals often avail themselves of HOC mortgages.

Indian real estate agents and mortgage originators point out that some Indian homebuyers, eager to minimize documentation and debt, seek loans based on downpayments of 25 to 30 percent that do not require income and asset verification and reduce the amount of the loan on which they pay interest. Conversely, Indian homebuyers who wish to maximize the leverage of their financial investments sometimes feel that the mortgage industry's underwriting standard ratio of monthly housing expenses in relation to monthly family income (front ratio) is too low and unnecessarily constrains the size of the loans they can obtain.

Hispanic real estate agents and mortgage loan officers explain that some low- and moderate-income Hispanics have trouble for a variety of reasons when trying to obtain a mortgage loan. These include insufficient cash to cover the downpayment and closing costs; absence of a bank account or other means of indicating assets; and lack of documentation of income. Because they are employed in positions such as housekeeper, gardener, and restaurant worker, and are paid in cash and tips, they do not have accurate records of their earnings. According to Indian real estate agents and mortgage loan officers, the major difficulty facing Indians seeking to secure a mortgage is, again, lack of income documentation. There is general agreement that this problem has more to do with the way payment is rendered in certain lines of work than with the ethnicity of the workers.

Pedro and Maria, a Salvadoran couple, present an example of the way potential homebuyers can jeopardize the securing of a mortgage by overextending their credit. Now in their mid-30s, they have resided in Montgomery county since 1984 and speak English fairly well. Pedro is a carpenter and Maria works as a housekeeper and waitress. A few years ago, they bought a condominium in a north-county community of new, moderately priced homes and obtained an FHA-insured mortgage. But, because they would like to have a flower garden, they have decided to sell the condominium and buy a detached house with a yard in the same neighborhood. They are using the services of the same Guatemalan real estate agent who helped them find their present home. This time, however, the process has proved to be considerably more complicated. They must obtain financing to buy a more expensive home, and the purchase is contingent on selling the condominium.

In a group discussion among potential homebuyers from Latin America, Maria remarks that although she and Pedro have gained experience with the American financial system, she has recently had her use of credit cards questioned. She expresses indignation that the non-Hispanic mortgage loan officer with whom she has been dealing has insisted that Maria use her half-dozen credit cards only when absolutely necessary until the loan officer has succeeded in qualifying Pedro and Maria for a mortgage loan. Maria does not think the amounts on her charge cards are excessive, and she suspects that the loan officer's admonitions are actually a sign of disrespect toward her as a Hispanic. When asked how much she currently owes, Maria gives the amounts and asks the group's other

members if they agree with her feeling that the loan officer is wrong. She is crestfallen when everyone concurs that the loan officer's concerns seem justified.

A difficult situation sometimes develops when a Latin American or Indian is preparing to buy a home and a relative or extended family member offers to provide cash for the downpayment. The requirements that the donor sign a letter stating that the cash represents a gift rather than a loan and present proof of possessing funds to make the gift are sometimes felt to be intimidating, insulting, and hypocritical by the homebuyers and their family sponsors. In reality, it is usually expected that the "gift" will be paid back, but not in the manner of a bank loan, through monthly payments with interest. Instead, in the words of an Indian real estate agent, "You pay it back, but if hard times come, the relative making the 'gift' can, and will, allow payment to be delayed."

Anil, the Indian grocery store owner introduced earlier, recounts that when he was buying his house his father had to sign a statement that the money he was providing for the downpayment represented a gift rather than a loan. However, Anil explains that everyone involved in the process—including the real estate agent and the mortgage loan officer—seemed to understand that this was indeed a loan. Anil adds that the agreement between himself and his father is binding according to Indian custom and that this understanding is more important to the two of them than the document his father signed.

An example of a smooth finance/purchase phase transition to homeownership is provided by Luis, a 35-year-old Salvadoran restaurant owner. Luis was born in Washington, D.C., where his father was a counsel in the Salvadoran Embassy. Luis attended primary and secondary schools in both El Salvador and the United States and graduated from Montgomery County's community college with a business degree. His father now works for an international development organization, and his parents and his four brothers and their families live in Montgomery County. Several years ago, with the help of a downpayment "gift" (that is, *loan*) from his father, Luis bought a four-bedroom suburban house where he lives with his Cuban wife Beatriz and their three sons. Luis explains that he had absolutely no difficulty in securing a conventional mortgage loan to finance their home, and he has since repaid most of the money he borrowed from his father. Luis hastens to point out, however, that he had many advantages in homebuying that other Hispanic immigrants do not possess—knowledge of English and familiarity with American customs, a fairly steady income, nearby family members with financial resources, and education and experience in U.S. business practices.

The Postpurchase Phase

Although many Montgomery County Hispanics are successful in purchasing a home, there are others for whom the outcome is not as favorable. The case of Alicia and Felipe illustrates some of the things that can go wrong. In their early 30s, they are recent immigrants from Bolivia. Alicia works as a housekeeper and Felipe as a parking garage attendant. Several years ago, they bought a townhouse in an urban area of the county. They explain that they spoke virtually no English, were unfamiliar with the rules and procedures involved, and relied entirely on a Hispanic real estate agent. They encountered no difficulties in the process, but did not really understand how it worked. The purchase of the townhouse was financed with an FHA-insured loan.

Alicia and Felipe now feel that their trust in the agent was misplaced, for once they had moved in and inspected the townhouse, they discovered that the kitchen sink faucets had no handles, the stove and refrigerator did not work, and the wall-to-wall carpeting was filthy and had to be removed. They took up and discarded the carpet themselves, lacking sufficient money to pay to have it done. The cost of putting the townhouse in decent

condition has far exceeded anything they anticipated or the financial resources they had set aside for home improvement. They explain that the ordeal of trying to maintain the townhouse has been “a disaster” and fear that if something else goes wrong they may not be able to meet the mortgage payments and might lose their home. Alicia and Felipe are now trying to sell the townhouse, but they are not sure what to do next: rent an apartment and wait until they understand the system better before purchasing another house, or risk buying another house now in order to meet their goal of having a home of their own in which to raise their two children.

Although postpurchase problems do occur, the great majority of Montgomery County’s Hispanic and Indian homebuyers describe owning a home as a very positive experience. Moreover, mortgage lenders and HOC staff have encountered very few loan defaults and foreclosures among the county’s Hispanic and Indian populations.

Findings and Policy Implications

In the main, Montgomery County’s Latin American population has been impelled to immigrate to the United States by civil strife and economic hardship, whereas Indians have moved here to pursue greater academic and entrepreneurial opportunities. The first waves of Latin Americans and Indians came to the United States during the 1980s and proceeded to Montgomery County through a process of step migration, whereas more recent arrivals have tended to move to the county directly from abroad. Most of the county’s immigrant Hispanics intend to remain here, as do virtually all Indian newcomers.

Adaptation

In trying to adapt to life in their new country, Montgomery County’s Indian immigrants are clearly more advantaged than their Latin American counterparts in terms of formal education, ability to speak English, and economic status. One example of this disparity is the tendency for financial resources to flow from Hispanic immigrants to their families abroad and from relatives in India to their immigrant kin in the United States. The presence of extended families, transplanted cultural institutions, and viable ethnic networks eases the entry of both Hispanic and Indian immigrants into their new environment. Hispanics also utilize the services of county public and private agencies that provide them with assistance in accessing a range of social and educational resources.

Latin American and Indian immigrants alike come from predominantly cash economies and must adjust to the American credit culture. But the Indians’ training in mathematics and their cultural tradition of entrepreneurship enable them to adjust more readily to the unfamiliar financial institutions and business practices of the United States.

Homebuying Approaches

Montgomery County’s upwardly mobile Hispanic and Indian communities place high social and economic value on homeownership and view the ability to acquire and maintain a home as an important measure of successful adaptation to American society. Their rate of homeownership—like their level of education, English-speaking ability, and median family income—are greater than the totals for Hispanics and Indians in the National Capital area. In fact, Montgomery County’s Indians have a homeownership rate of 72 percent, surpassing not only the 43-percent rate of county Hispanics but also the county’s total rate of 68 percent. Moreover, the homeownership rates of the county’s and the National Capital area’s Hispanics are extremely high in comparison with the 18-percent rate of Hispanics in the northeastern United States.

Factors that affect the way Latin Americans adapt to life in Montgomery County are reflected in their homebuying perspectives, strategies, and experiences. These factors can be manifested as either impediments or aids during the presearch, search, finance/purchase, and postpurchase phases of the homebuying process.

Impediments to Homebuying

Limitations in education, English fluency, and financial resources, together with a poor understanding of America's credit culture and its home financing and purchasing practices, often hinder Latin Americans in the homebuying process. Many Hispanics have an exaggerated notion of the amount of money needed to purchase a home in Montgomery County, and some who have the potential to become homeowners do not attempt the first steps toward buying a house. Difficulties that may impede them from securing a mortgage loan include:

- Insufficient cash to cover the downpayment and closing costs.
- Absence of a bank account or other means of indicating assets.
- Lack of income documentation for persons who are paid in cash and tips.
- Absence of a credit history for individuals who do not use credit cards and whose names do not appear on leases or utility bills to which they contribute.
- Poor credit records due to over-use of credit cards and failure to adhere to payment schedules.

While the Indians in the county generally manage to avoid most of these problems, low-income Indians in service occupations sometimes lack adequate income documentation.

Aids to Homebuying

Immigrant Hispanics and Indians in Montgomery County are assisted in the homebuying process by immediate and extended family members who provide them with a place to live while they muster their finances, lend them money to make downpayments, or join with them in pooling resources to purchase a home. Further, the Hispanic and Indian networks include persons involved in all aspects of the residential real estate industry who provide their fellow members with information and help them through the phases of homebuying. Hispanic and Indian real estate agents advertise in local English-, Spanish-, and Hindi-language newspapers, and some Hispanic real estate agents conduct home-purchasing workshops in their offices.

Moreover, the Montgomery County government has set a very progressive tone by trying to diversify the county's socioeconomic and ethnic composition through its affordable housing and service programs. The authors have seen no instance of discrimination against prospective Hispanic or Indian homebuyers. On the contrary, MPDU and HOC officials express regret that they do not have sufficient resources to offer a greater amount of affordable rental housing and a greater number of home mortgages to minorities and immigrants.

Hispanic staff members at the county's public and private community service centers suggest that those who seek to increase homeownership among Latin American immigrants might consider using local agencies and Spanish-language media to provide information for Hispanics on American practices regarding saving, credit, and home finance and purchase. The information might be conveyed through the *fotonovela*, which has been found useful for presenting health information in Latin America and among Hispanics in

the United States. Fotonovelas could be developed to convey, in story form, scenarios that render effective messages on approaches to homebuying. Culturally tailored presentations could be developed for other immigrant populations as well.

On the whole, this study has found the homebuying experiences of Hispanic and Indian immigrants in Montgomery County to be very positive. The great majority appear to progress from the presearch phase to the final phase, in which they become—and remain—homeowners. They derive a strong measure of satisfaction from this accomplishment and view it as a harbinger of the success that they and their children will achieve in their new country.

Policy Implications

Cities and counties seeking to develop their economies and diversify their social compositions by attracting newcomers might well look to the example of Montgomery County. Its strong economy, inclusive social climate, and progressive housing policies have drawn many talented and hardworking Americans and immigrants from Latin America, India, and other parts of the world to the county. Not only have these newcomers enriched the county's cultural environment and contributed to its economy, but many have also become proud homeowners and now feel they have a personal stake in the county's future.

Authors

Susan A. Cheney, a residential mortgage consultant with more than 20 years of experience as a real estate agent and mortgage loan officer, has worked extensively with minority and immigrant purchasers. She currently serves on the Bethesda-Chevy Chase Citizens' Advisory Board to the Montgomery County Council and County Executive and on the Bethesda Urban Partnership Board of Directors, and is a volunteer counselor for low-income, first-time homebuyers for the city of Rockville's R.E.A.C.H. (Real Estate Effort for Affordable Community Housing) program. Charles C. Cheney is a cultural anthropologist who has conducted ethnographic research among minority and immigrant populations for more than 25 years. He has carried out numerous studies on community organization, cultural change, migration, and adaptation. The authors gratefully acknowledge the cooperation and assistance of the many persons who provided information for this study.

Note

1. Credit ratings range from A-—given to borrowers who made one late payment during the last 12-month period—to D—given to borrowers experiencing recent foreclosure. Only 13 percent of all borrowers are considered to have bad credit; these fall into the subprime loan market where very high interest rates are common. Mortgage lending is currently the most stable of the subprime markets.

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