



## **Language Barriers in the Mortgage Market: Present Hardships and Proposed Solutions**

The United States is home to a large and growing population of individuals who are limited English proficient (LEP), defined by the United States Census Bureau as someone who speaks English less than “very well,” with LEP individuals accounting for approximately nine percent of the population in 2014. LEP individuals face significant barriers when accessing financial products and services, which are primarily focused on serving English-proficient customers.

One area in which the failure of financial institutions to meet their customers’ language needs is especially harmful is in the making and ongoing servicing of mortgage loans. Because buying a home is the largest financial transaction for most people, the stakes are especially high to ensure that LEP homeowners have access to the mortgage market.

The challenges faced by LEP homebuyers are numerous. At origination, closing documents are generally prepared in English. There is also no requirement that the lender provide oral interpretation services for borrowers with limited English proficiency. In some cases, borrowers provide their own interpreters, who may be an English-proficient child or someone else without the necessary understanding of the mortgage process. As a result, borrowers with limited English proficiency often do not understand key terms of their mortgages, such as whether their interest rate is fixed or adjustable.

In the mortgage servicing process, borrowers with limited English proficiency are most likely to fall through the cracks when they get behind on their mortgage and need help obtaining an affordable monthly payment to avoid foreclosure. When the borrower is not English proficient but all servicing documents are provided only in English, it is easy for the borrower to miss important information or fail to catch important errors. Numerous homeowners, for example, receive a loan modification offer that they do not understand because it is in English and, as a result, miss the acceptance deadline. Individuals with limited English proficiency are also disadvantaged in the loss mitigation process when servicers are unable to communicate orally in the borrower’s preferred language and when servicers refuse to accept documents, such as hardship affidavits, in languages other than English.

A new pair of papers issued by Americans for Financial Reform working in collaboration with a number of its coalition partners<sup>1</sup> urges immediate action to address language access needs in the mortgage market. In [\*The CFPB and Other Federal Agencies Should Adopt Strong Language Access Protections for Homeowners and Other Consumers\*](#), AFR details the issues faced by LEP consumers in the homebuying and mortgage servicing processes, documents the legal authority of CFPB and other federal regulators to act to address these issues, and recommends specific steps that CFPB and other regulators can take to improve language access

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<sup>1</sup> The organizations that collaborated on the papers include National Consumer Law Center (on behalf of its low-income clients), National CAPACD, National Council of La Raza, Empire Justice Center, National Housing Resource Center, Consumer Action, National Fair Housing Alliance, and MFY Legal Services, Inc.

in the mortgage market for LEP Americans. [\*Barriers to Language Access in the Housing Market: Stories from the Field\*](#) shares the stories of some of the LEP homeowners who have faced challenges in the homebuying or servicing process due to language barriers.

Urgent government action is needed to open up the mortgage market to LEP borrowers.<sup>2</sup> Specifically, we urge the CFPB and other regulators to:

- enhance mortgage servicing protections for LEP homeowners;
- provide protections for LEP mortgage applicants;
- expand existing supervision and examination procedures to include a review of language accessibility;
- continue to improve language access to the CFPB's Consumer Complaint Services;
- improve opportunities for LEP mortgage applicants and homeowners to find a HUD-approved housing counseling agency with a counselor who speaks their preferred language;
- provide affirmative guidance/regulations on standards for addressing language access in financial institutions;
- update data fields for the Home Mortgage Disclosure Act (HMDA) to include preferred language spoken by the loan applicant; and
- establish a federal interagency working group to examine strategies for improving data collection and tracking of language preferences of borrowers throughout the mortgage process.

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<sup>2</sup> Please see [\*The CFPB and Other Federal Agencies Should Adopt Strong Language Access Protections for Homeowners and Other Consumers\*](#) for detailed recommendations.