



Credit Report

Why Credit History is Important for Immigrants and Their Homeownership Aspirations



GREGORY SWEENEY
MANAGING PARTNER, INTERNATIONAL
INVESTORS MORTGAGE LLC

Immigrants come to the United States to build a better life, enhance their career opportunities, and provide a better future for their families. In their transitional years they face many challenges, especially when they engage with U.S. banks and apply for a loan to purchase property.

Challenges Immigrants Face in Accessing Credit

One of the biggest challenges for new immigrants to the United States is their ability to access quality credit and financing opportunities across all credit facilities - from credit cards to personal, auto, or student loans, to mortgages. Financial institutions operating in the U.S. are subject to strict requirements from federal agencies to provide credit financing.

Regulations require borrowers to have established a strong credit history over a period of time to be eligible for the most attractive rates. Unfortunately, they do not take into consideration the current income of new immigrants nor their ability to service

loans through their accumulated wealth in their home countries. As a result, immigrants must establish a U.S.-based credit history before they can access quality credit facilities. This can take anywhere between two and ten years, putting new immigrants at an unfair disadvantage.

What is Credit History?

An individual's credit history is an aggregate record detailing how they have managed their debt facilities. It includes all accounts the individual has ever opened and/or closed, the type of credit provided by such accounts, outstanding balances, and a record of repayments. A credit bureau can prepare a credit report for any individual with his or her detailed credit history, personal information, and public records such as bankruptcies, liens, or pending investigations. Anyone that has had a credit account in the U.S. can request a copy of their credit report from an approved credit bureau and is eligible for one free report annually.

A credit score is assigned based on an individual's credit history to gauge credit worthiness. This allows any future lender to assess the individual's complete credit profile, including potential default risks.

Importance of Credit History in the U.S.

An individual's credit history impacts many major aspects of life. Employers are

increasingly referencing credit reports prior to extending new employment offers. Landlords will assess a prospective new tenant's credit risk. Lenders providing financing options for personal loans, school loans, and credit cards will first review an individual's credit report to determine the amount and the rates at which they will extend credit to a borrower.

For new immigrants, establishing a credit history in the United States that accurately depicts their creditworthiness can take years. In the meantime, it would be difficult for them to obtain credit options for every day needs such as credit cards or a home loan.

EB-5 investors in particular invest a large amount of money in the U.S. and maintain significant wealth in their home countries, but are often not considered to be "creditworthy" by traditional lenders due to their lack of U.S. credit history.

Credit and Real Estate

While real estate is widely considered to be a stable asset that creates wealth for its investors, purchasing power in the real estate market is heavily influenced by credit history. Mortgage underwriting guidelines define what credit history and documentation are required from borrowers. Investors who meet these requirements are offered conforming loans that are backed by federal agencies.

Continued On Page 30

Continued From Page 29

In the absence of a credit history that fits within the guidelines of the industry's underwriters, lenders are only able to offer non-conforming loans. Because these loans are not backed by federal agencies, they are typically structured with high down payment requirements and high interest rates to protect lenders from cases of default.

Homeownership: Part of the American Dream

For most new immigrants, living the American Dream involves finding the right career opportunities but also includes finding the perfect home for their families.

However, many EB-5 investors are unable to access mortgage loans through regular providers and banks, despite having a strong financial standing in their home countries. The lack of access to good financing options leaves many EB-5 investors frustrated and unsure of how they should proceed.

Few may get lucky and be offered some sort of financing option, but they are typically subject to mortgage down payments of 40% or higher. Some may tap into savings from their home country or seek financial assistance from family members. These options have their own complications, as several countries have foreign exchange controls in place and restrict large remittances of money overseas.

This can be burdensome especially after investing in an EB-5 project, which forces many to wait until their EB-5 capital is returned or until they build sufficient U.S. credit history, both of which could take years to come to fruition.

Addressing These Challenges: The Need for New Solutions

A small group of operators have identified the challenges associated with the lack of credit options available for new immigrants and have started to introduce immigrant-specific financing programs and solutions.

While these new programs are a great first step in bridging the gap, there is also a need for tailored solutions for EB-5 investors who have significant capital invested in the U.S. for at least 5 years, and in some cases, maybe even 10 years or more.

There is a significant opportunity to serve EB-5 investors' needs for high quality credit by taking into account home country credit history and leveraging the value of their EB-5 investments when assessing creditworthiness. Mortgage lenders and operators should aim to remove the stress from the buying process by providing end-to-end solutions that make the U.S. property ownership experience for EB-5 investors as delightful and gratifying as it should be. ▶

www.grace-india.com www.grace-india.com/gre2021

G
2
R
0
A
2
C
1
E
-



GLOBAL

RESIDENCY & CITIZENSHIP

HYBRID EXPO 2021

G
2
R
E
1



GLOBAL

REAL ESTATE

HYBRID EXPO 2021

International Hybrid Conference & Exhibition on
Global Residency, Citizenship, Luxury Lifestyle and Real Estate

HYBRID EXHIBITION | HYBRID CONFERENCE | NETWORKING | B2B MEETINGS

Upcoming Events

<div style="border: 1px solid white; padding: 5px; font-weight: bold; background-color: #003366; color: white;">BENGALURU</div> <p>Thu 5th - Fri 7th AUGUST 2021</p> <p>Venue: Bangalore International Exhibition Centre (BIEC) (Virtual & Offline)</p> <p>11:00 am - 7:00 pm (IST)</p>	<div style="border: 1px solid white; padding: 5px; font-weight: bold; background-color: #003366; color: white;">HYDERABAD</div> <p>Fri 12th - Sun 14th NOVEMBER 2021</p> <p>Venue: HITEX Exhibition Center (Virtual & Offline)</p> <p>11:00 am - 7:00 pm (IST)</p>	<div style="border: 1px solid white; padding: 5px; font-weight: bold; background-color: #003366; color: white;">NEW DELHI</div> <p>Mon 7th - Fri 11th MARCH 2022</p> <p>Venue: PHD House, Delhi (Virtual & Offline)</p> <p>11:00 am - 7:00 pm (IST)</p>
--	---	--

PAST PARTICIPANTS















CS Global partners

VARDIKOS & VARDIKOS































































For Further Queries and Sponsorship

 Mayank Chhatwal @ +91 981888 0538
Email: mayank.chhatwal@phdcci.in

 Tanisha Panwar @ +91 999963-0803
E-mail: tanisha.panwar@phdcci.in

PHD CHAMBER OF COMMERCE AND INDUSTRY

IIUSA.ORG | 30