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(FORM UPDATED: 08/11/2010)

WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

2005-06

(session year)

Senate

(Assembly, Senate or Joint)

Committee on ... Veterans, Homeland Security, Military Affairs, Small Business and Government Reform (SC-VHSMASBGR)

COMMITTEE NOTICES ...

- Committee Reports ... **CR**
- Executive Sessions ... **ES**
- Public Hearings ... **PH**

INFORMATION COLLECTED BY COMMITTEE FOR AND AGAINST PROPOSAL

- Appointments ... **Appt** (w/Record of Comm. Proceedings)
- Clearinghouse Rules ... **CRule** (w/Record of Comm. Proceedings)
- Hearing Records ... bills and resolutions (w/Record of Comm. Proceedings)
(**ab** = Assembly Bill) (**ar** = Assembly Resolution) (**ajr** = Assembly Joint Resolution)
(**sb** = Senate Bill) (**sr** = Senate Resolution) (**sjr** = Senate Joint Resolution)
- Miscellaneous ... **Misc**

Senate

Record of Committee Proceedings

Committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform

Assembly Bill 85

Relating to: prohibiting the Wisconsin Housing and Economic Development Authority from making, buying, or assuming a home mortgage loan for an individual who does not have a social security number.

By Representatives Kestell, Suder, Gottlieb, Gunderson, Hahn, Hines, Jeskewitz, F. Lasee, LeMahieu, McCormick, Meyer, Nass, Ott, Owens, Pridemore, Petrowski, Towns, Van Roy, Vos, Vrakas, Vukmir and Ziegelbauer; cosponsored by Senators Grothman, Cowles, Ellis, Kanavas, A. Lasee, Lazich, Leibham and Roessler.

November 11, 2005 Referred to Committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform.

May 4, 2006 Failed to concur pursuant to Senate Joint Resolution 1.

Daniel Lindstedt
Committee Clerk

ASSEMBLY BILL 85 (LRB -1751)

An Act to create 234.59 (3) (d) of the statutes; relating to: prohibiting the Wisconsin Housing and Economic Development Authority from making, buying, or assuming a home mortgage loan for an individual who does not have a social security number.

2005

02-03.	A.	Introduced by Representatives Kestell, Suder, Gottlieb, Gunderson, Hahn, Hines, Jeskewitz, F. Lasee, LeMahieu, McCormick, Meyer, Nass, Ott, Owens, Pridemore, Petrowski, Towns, Van Roy, Vos, Vrakas, Vukmir and Ziegelbauer ; cosponsored by Senators Grothman, Cowles, Ellis, Kanavas, A. Lasee, Lazich, Leibham and Roessler.	
02-03.	A.	Read first time and referred to committee on Housing	61
04-21.	A.	Public hearing held.	
10-31.	A.	Withdrawn from committee on Housing and referred to committee on Criminal Justice and Homeland Security pursuant to Assembly Rule 42 (3)(c)	561
11-02.	A.	Executive action taken.	
11-04.	A.	Report passage recommended by committee on Criminal Justice and Homeland Security, Ayes 7, Noes 5	579
11-04.	A.	Referred to calendar	579
11-08.	A.	Read a second time	586
11-08.	A.	Ordered to a third reading	586
11-08.	A.	Rules suspended	586
11-08.	A.	Read a third time and passed , Ayes 57, Noes 38, Paired 2	586
11-08.	A.	Refused to suspend rules to order immediately messaged, Ayes 58, Noes 38	586
11-11.	S.	Received from Assembly	453
11-11.	S.	Read first time and referred to committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform	454

2006

05-11.	S.	Failed to concur in pursuant to Senate Joint Resolution 1	853
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Mortgage Guaranty Insurance Corporation

-- Assembly Bill 85 Testimony --

Date?

SEN. ZIEM

Good afternoon Chairman BROWN and members of the VETERANS ~~sub~~committee. My name is Geoffrey Cooper, Director – Emerging Markets at Mortgage Guaranty Insurance Corporation (MGIC), the nation’s leading provider of private mortgage insurance to home mortgage lenders and state housing finance agencies. On behalf of MGIC, I’d like to thank you for the opportunity to testify today.

The issue before us today is a bill that would prohibit WHEDA from purchasing loans made to individuals who do not have a Social Security Number. As a provider of primary and pool mortgage insurance to WHEDA, MGIC has registered its opposition to this bill and appreciates the opportunity to be here today and share our thoughts on this matter.

In this testimony MGIC will address ~~our~~ ^{the} general underwriting criteria used to determine the creditworthiness of borrowers in our Building a Life in America program and share the early results of the program, which began in January 2004 and today has 84 lenders nationally. It is under this program

that MGIC insures loans made to borrowers who may be affected by this proposed legislation. *I'd like to add that MGIC developed its BALIA program in response to ~~important~~ guaranty needs identified by lenders and Wall Street.* MGIC's mission is to facilitate homeownership by providing credit enhancement solutions that meet the needs of our customers. Our Building a Life in America program is a part of that mission. We recognize the reality ~~of~~ *This is* of an expanding immigrant population and are proactively working to *how MGIC works - we listen to our customers needs & we respond.* encourage best practices within the mortgage industry.

MGIC's program is designed to help taxpaying immigrants and unbanked populations attain homeownership. By pairing our understanding of risk, with significant research into this segment of the marketplace, we gained comfort that MGIC could prudently serve the homeownership needs of immigrant families who live and work in our communities. Building a Life in America features underwriting guidelines that recognize the nontraditional savings, credit, and unique documentation characteristics of immigrant and un-banked families.

For the purpose of this testimony we will focus on the borrowers who use IRS-issued Individual Tax ^{payer} Identification Numbers (ITINs), and a government-issued photo ID, to obtain mortgage loans. Due to the nontraditional credit of borrowers in this program, the criteria used for underwriting requires a rigorous manual underwriting process and a higher level of documentation than a standard loan file. Borrowers in this program must reside and work in

the United States, have filed federal income taxes for at least the preceding two years, and be able to demonstrate consistent earnings and acceptable creditworthiness. The documentation we require is substantially greater for this program than for a typical WHEDA or conventional conforming loan.

The early results of our insuring loans to borrowers who have ITINs reinforces this type of underwriting approach, as we have insured 634 loans totaling over \$76 million. Loans ^{under} ~~attributed to~~ Building a Life in America, while still quite young, have yet to produce a single delinquency. To put these numbers in perspective; I should note MGIC's overall volume and loan performance history for 2005. You will see that our ITIN lending portfolio is a nominal portion of our overall business but that it also is outperforming our overall book of business. In the six months ended June 30, MGIC insured \$28 billion in mortgages, bringing its total insurance in force to \$172 billion. As of June 30, the delinquency rate of our flow insurance in force was 3.70%.

By helping to make affordable homeownership possible to first generation families through our program, MGIC believes we are not only providing a better future for individual borrowers, but also building stronger neighborhoods and communities across the country. When a family attains homeownership for the first time, it establishes a legacy of ownership and wealth-building that passes down through the generations.

Thank you for the opportunity to testify today.

###

BANKS - REGARDLESS OF RESIDENCY
- BSA
- PROHIBIT ACT

ISS A MORTGAGE - \$ 8.5 billion/year

4
HOMEOWNERSHIP - PROPERTY TAXES
- SCHOOLS
- PUBLIC SERVICES



- Terry Tesfelin , Richland County — NHS of Richland County
- Michael Semmann , Madison — Wisconsin Bankers Association
- Perfecto Rivera , Milwaukee — Hispanic Chamber of Commerce
- Jeff Bowman , Milwaukee — President , Mitchell Bank
- Laura Manriquez
- Peter Munaz , Madison — Centro Hispano
- Fabiola Hamdan , Madison
- Ruben Ernesto , Madison

Appearances for Information Only

- Darin Bruhn , Madison

Registrations For

- Robert Cowles , Madison — Senator , 2nd Senate District

Registrations Against

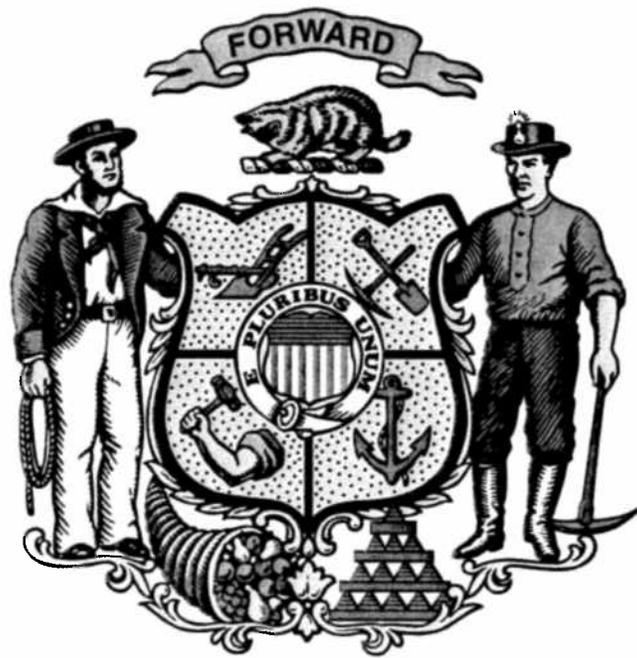
- Teresa Tellez-Giroy , Madison
- A. Polly Williams , Milwaukee — Rep.
- Leon Young , Milwaukee — Rep.
- Daryll Lund , Madison — Community Bankers of Wisconsin
- Amy Boyer , Madison — Wisconsin Mortgage bankers Association
- John Schultz , Milwaukee — WHEDA
- Mary Watts , Waukesha — WHEDA
- Eurique Abrajan , Madison
- Ann McNeary , Sun Prairie
- Fernando Campos , Milwaukee — United Community Center
- Daniel Guerua , Madison — LUCAA
- Laura Berger , Madison
- Marisol Del Rio , Brooklyn
- Kryn Hoter-Winfield , Madison
- Carrie Benz , Madison — Summit Credit Union
- Eduardo Miramontes , Madison — Summit Credit Union
- Luis Carrion , Madison — Summit Credit Union
- Oscar Tovar , Milwaukee — St. Francis Bank
- Yolanda Salazaz , Madison — Latino Community
- Rose Juarez-Sura , Waukesha — LBC Services, Inc.
- Cindy Jenson , Mt. Horeb
- Leo Spanuello , Brookfield — Universal Mortgage
- Marcia Riquelme , Madison — 4 Cs
- Adriana Ortiz , Waukesha — Ja Casa de Esperauza
- Patricia Delos Santos , Waukesha — La Casa de Esperanza Inc.

- Carman De La Paz , Waukesha — La Casa de Esperanza Inc.
- Abril Medina , Waukesha — La Casa de Esperanza
- Arturo Gonzales , Burlington — So. East Housing Corp.
- Amelia Macareno , Milwaukee — Hispanic Professional of Greater Milwaukee
- Dan Ross , Madison
- Robert Forster , Manitowoc — UMOS, Inc.
- Victor Villacrez, Madison
- Sue Moline Larson , Madison — Rev. , Lutheran Office for Public Policy in Wisconsin

October 31, 2005

Withdrawn from committee on Housing and referred to committee on Criminal Justice and Homeland Security pursuant to Assembly Rule 42 (3)(c).

Scott Becher
Committee Clerk





John Gard

Speaker of the Assembly

October 28, 2005

Mr. Patrick Fuller
Chief Clerk
Wisconsin State Assembly
Room 208, Risser Justice Center
17 West Main Street
Madison, Wisconsin 53708

Dear Patrick:

Pursuant to Assembly Rule 42(3)(c), I am removing AB 85 from the Committee on Housing and re-referring it to the Committee on Criminal Justice and Homeland Security. I have the consent of Rep. Wieckert, chair of the committee on Housing, to take this action.

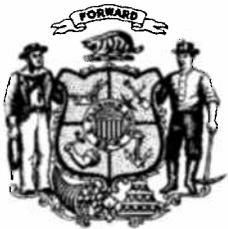
Sincerely,

John G. Gard
Speaker

cc: Representative Steve Kestell
Representative Scott Suder
Representative Steve Wieckert



WISCONSIN STATE LEGISLATURE



Assembly

Record of Committee Proceedings

Committee on Criminal Justice and Homeland Security

Assembly Bill 85

Relating to: prohibiting the Wisconsin Housing and Economic Development Authority from making, buying, or assuming a home mortgage loan for an individual who does not have a social security number.

By Representatives Kestell, Suder, Gottlieb, Gunderson, Hahn, Hines, Jeskewitz, F. Lasee, LeMahieu, McCormick, Meyer, Nass, Ott, Owens, Pridemore, Petrowski, Towns, Van Roy, Vos, Vrakas, Vukmir and Ziegelbauer; cosponsored by Senators Grothman, Cowles, Ellis, Kanavas, A. Lasee, Lazich, Leïbham and Roessler.

October 31, 2005 Referred to Committee on Criminal Justice and Homeland Security.

November 2, 2005 **EXECUTIVE SESSION HELD**

Present: (12) Representatives Suder, Friske, Owens, F. Lasee, Jeskewitz, Gundrum, Vukmir, Turner, Krusick, Black, Kessler and Grigsby.

Absent: (0) None.

Moved by Representative Friske, seconded by Representative Owens that **Assembly Bill 85** be recommended for passage.

Ayes: (7) Representatives Suder, Friske, Owens, F. Lasee, Jeskewitz, Gundrum and Vukmir.

Noes: (5) Representatives Turner, Krusick, Black, Kessler and Grigsby.

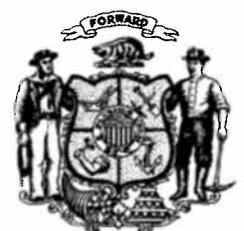
PASSAGE RECOMMENDED, Ayes 7, Noes 5



Anne Emerson
Committee Clerk



WISCONSIN STATE LEGISLATURE



WISCONSIN ASSEMBLY
2005-2006 SESSION
Speaker Gard

AB 85
BY KESTELL
PROHIBIT WHEDA FROM MAKING MORTGAGE LOANS
PASSAGE

AYES - 57 NAYS - 38 NOT VOTING - 1 PAIRED - 2

A	N	NV	NAME		A	N	NV	NAME		A	N	NV	NAME	
	N		AINSWORTH	(R)	A			KLEEFISCH	(R)		N		SHERIDAN	(D)
A			ALBERS	(R)	A			KRAWCZYK	(R)		N		SHERMAN	(D)
A			BALLWEG	(R)	A			KREIBICH	(R)		N		SHILLING	(D)
	N		BENEDICT	(D)	A			KRUSICK	(D)		N		SINICKI	(D)
	N		BERCEAU	(D)	A			LAMB	(R)		N		STASKUNAS	(D)
A			BIES	(R)	A			LASEE	(R)		N		STEINBRINK	(D)
	N		BLACK	(D)		N		LEHMAN	(D)	A			STONE	(R)
	N		BOYLE	(D)	A			LEMAHIEU	(R)	A			STRACHOTA	(R)
	N		COLON	(D)	A			LOEFFELHOLZ	(R)	A			SUDER	(R)
	N		CULLEN	(D)	A			LOTHIAN	(R)		N		TOLES	(D)
A			DAVIS	(R)	A			MCCORMICK	(R)	A			TOWNS	(R)
	N		FIELDS	(D)	A			MEYER	(R)		N		TOWNSEND	(R)
A			FITZGERALD	(R)		N		MOLEPSKE	(D)		N		TRAVIS	(D)
A			FREESE	(R)	A			MONTGOMERY	(R)		N		TURNER	(D)
A			FRISKE	(R)	A			MOULTON	(R)		N		UNDERHEIM	(R)
A			GIELOW	(R)	A			MURSAU	(R)		N		VAN AKKEREN	(D)
A			GOTTLIEB	(R)	A			MUSSER	(R)	A			VAN ROY	(R)
	N		GRIGSBY	(D)	A			NASS	(R)	A			VOS	(R)
	N		GRONEMUS	(D)		N		NELSON	(D)		N		VRUWINK	(D)
A			GUNDERSON	(R)	A			NERISON	(R)	A			VUKMIR	(R)
A			GUNDRUM	(R)	A			NISCHKE	(R)	A			WARD	(R)
A			HAHN	(R)	A			OTT	(R)		N		WASSERMAN	(D)
	N		HEBL	(D)	A			OWENS	(R)	A			WIECKERT	(R)
A			HINES	(R)		N		PARISI	(D)		N		WILLIAMS, A.	(D)
A			HONADEL	(R)	A			PETROWSKI	(R)	A			WILLIAMS, M.	(R)
	N		HUBLER	(D)	A			PETTIS	(R)	A			WOOD	(R)
A			HUEBSCH	(R)		N		POCAN	(D)		N		YOUNG	(D)
A			HUNDERTMARK	(R)		N		POPE-ROBERTS	(D)	A			ZEPNICK	(D)
A			JENSEN	(R)	A			PRIDEMORE	(R)		X		ZIEGELBAUER	(D)
A			JESKEWITZ	(R)	A			RHOADES	(R)	A			SPEAKER	(R)
A			KERKMAN	(R)		N		RICHARDS	(D)					
	N		KESSLER	(D)		N		SCHNEIDER	(D)					
A			KESTELL	(R)		N		SEIDEL	(D)					

IN CHAIR: FREESE

PAIRED AYE: KAUFERT

PAIRED NAY: KREUSER

VACANT DISTRICT(S): 33

PAIR

FILED November 8, 2005

ASSEMBLY

PASSAGE <input checked="" type="checkbox"/>	REFER TO COMMITTEE _____	ORDER TO 3 RD READING _____
CONCURRENCE <input type="checkbox"/>	REJECTION _____	MISC./OTHER _____
ADOPTION _____	ENGROSSMENT _____	

We hereby pair on the following questions relating to

PASSAGE
Assembly Bill 85

Rep. Dean Kautert for the PASSAGE

Rep. Tim Bremer against the bill

ASSEMBLY RULE 79. Members may pair on any question by filing a signed statement with the chief clerk indicating the questions on which they wish to be paired. The chief clerk shall read the pair to the assembly before the vote is taken. A "pair" form for the use of members shall be provided by the chief clerk. (1) No pair may be recognized unless one or both of the parties thereto are absent with leave. (2) If one party to a pair is present and votes, the pair is invalidated. (3) Pairs are applicable to the main questions on a proposal and do not apply to amendments or procedure motions unless the pair so specifies. (4) A pair shall not be counted as part of the official result of a vote but shall be recorded.

S/KAY/PAIRSLIP200*

WISCONSIN ASSEMBLY
2005-2006 SESSION
Speaker Gard

AB 85
BY KESTELL
PROHIBIT WHEDA FROM MAKING MORTGAGE LOANS
SUSPEND RULES TO IMMEDIATELY MESSAGE

AYES - 58 NAYS - 38 NOT VOTING - 2 PAIRED - 0

A	N	NV	NAME		A	N	NV	NAME		A	N	NV	NAME	
A			AINSWORTH	(R)	A			KESTELL	(R)				SCHNEIDER	(D)
A			ALBERS	(R)	A			KLEEFISCH	(R)				SEIDEL	(D)
A			BALLWEG	(R)	A			KRAWCZYK	(R)				SHERIDAN	(D)
	N		BENEDICT	(D)	A			KREIBICH	(R)				SHERMAN	(D)
	N		BERCEAU	(D)		X		KREUSER	(D)				SHILLING	(D)
A			BIES	(R)		N		KRUSICK	(D)				SINICKI	(D)
	N		BLACK	(D)	A			LAMB	(R)				STASKUNAS	(D)
	N		BOYLE	(D)	A			LASEE	(R)				STEINBRINK	(D)
	N		COLON	(D)		N		LEHMAN	(D)	A			STONE	(R)
	N		CULLEN	(D)	A			LEMAHIEU	(R)	A			STRACHOTA	(R)
A			DAVIS	(R)	A			LOEFFELHOLZ	(R)	A			SUDER	(R)
	N		FIELDS	(D)		X		LOTHIAN	(R)		N		TOLES	(D)
A			FITZGERALD	(R)	A			MCCORMICK	(R)	A			TOWNS	(R)
A			FREESE	(R)	A			MEYER	(R)	A			TOWNSEND	(R)
A			FRISKE	(R)		N		MOLEPSKE	(D)		N		TRAVIS	(D)
A			GIELOW	(R)	A			MONTGOMERY	(R)		N		TURNER	(D)
A			GOTTLIEB	(R)	A			MOULTON	(R)	A			UNDERHEIM	(R)
	N		GRIGSBY	(D)	A			MURSAU	(R)		N		VAN AKKEREN	(D)
	N		GRONEMUS	(D)	A			MUSSER	(R)	A			VAN ROY	(R)
A			GUNDERSON	(R)	A			NASS	(R)	A			VOS	(R)
A			GUNDRUM	(R)		N		NELSON	(D)		N		VRUWINK	(D)
A			HAHN	(R)	A			NERISON	(R)	A			VUKMIR	(R)
	N		HEBL	(D)	A			NISCHKE	(R)	A			WARD	(R)
A			HINES	(R)	A			OTT	(R)		N		WASSERMAN	(D)
A			HONADEL	(R)	A			OWENS	(R)	A			WIECKERT	(R)
	N		HUBLER	(D)		N		PARISI	(D)		N		WILLIAMS, A.	(D)
A			HUEBSCH	(R)	A			PETROWSKI	(R)	A			WILLIAMS, M.	(R)
A			HUNDERTMARK	(R)	A			PETTIS	(R)	A			WOOD	(R)
A			JENSEN	(R)		N		POCAN	(D)		N		YOUNG	(D)
A			JESKEWITZ	(R)		N		POPE-ROBERTS	(D)		N		ZEPNICK	(D)
A			KAUFERT	(R)	A			PRIDEMORE	(R)		N		ZIEGELBAUER	(D)
A			KERKMAN	(R)	A			RHOADES	(R)	A			SPEAKER	(R)
	N		KESSLER	(D)		N		RICHARDS	(D)					

IN CHAIR: FREESE

VACANT DISTRICT(S): 33



THE WALL STREET JOURNAL.**Welcome Mat: Banks Open Doors To New Customers: Illegal Immigrants; With Help From Government, Mortgage Lenders Tap Growing Hispanic Market; A Fight in Wisconsin's Senate***Miriam Jordan. Wall Street Journal. (Eastern edition). New York, N.Y.: Jul 8, 2005. pg. A.1*

Subjects: Immigration, Hispanic Americans, Mortgages, Aliens

Classification Codes 9190, 8120, 1200

Locations: United States, US, Wisconsin

Author(s): Miriam Jordan

Document types: News

Publication title: Wall Street Journal. (Eastern edition). New York, N.Y.: Jul 8, 2005. pg. A.1

Source type: Newspaper

ISSN/ISBN: 00999660

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Document URL: <http://proquest.umi.com/pqdweb?did=864456541&sid=1&Fmt=3&cli entId=17733&RQT=309&VName=PQD>**Abstract (Document Summary)**

"There is a fundamental contradiction here," says James Smith, a senior economist at the Rand Corp., a Santa Monica, Calif., think tank. "We have one policy saying you can't be here illegally. In practice, another policy is saying that if you're here, we're going to cater to you."

The bank also offered pamphlets on how to apply for a Wisconsin state ID and driver's license, and invited the Mexican consulate in Chicago to visit with a mobile unit that issues "matricula" cards, another form of identification, issued by the Mexican government and often accepted by banks. In early May, it sent out letters to 2,400 of its undocumented customers warning that Congress was on the verge of passing a federal law, dubbed "Real I.D.", that would make it more difficult for illegal immigrants to get drivers' licenses.

A year since its introduction, the agency's pioneering initiative is also drawing fire. Mark Belling, an outspoken conservative radio talk-show host, has lambasted the mortgage program on the air. "We should not be encouraging illegal immigration by offering home loans and the American dream to people who didn't enter the country legally," says state Rep. Steve Kestell, a Republican. "I am concerned that we are sending the message that we as a state welcome illegal immigration."

Full Text (2213 words)

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MILWAUKEE -- Javier and Araceli Garcia, illegal immigrants from Mexico, never imagined that the U.S. government would help them realize their dream of owning a home.

But last year, the couple secured a \$54,600 mortgage to buy the gray, 1,158-square-foot bungalow that they had been renting for eight months. The Wisconsin housing authority financed the loan. The Internal Revenue Service gave them an identification number that enabled them to apply for it at local Mitchell Bank, which was happy to take their business.

"We thought we would never buy a home, because of our [illegal] status," said Mrs. Garcia.

Competition for new customers is driving banks to offer home loans and other financial services to illegal immigrants -- and they are getting help from government agencies, such as the Federal Deposit Insurance Corp. The FDIC encourages banks to lend and invest in underserved markets regardless of customers' immigration status.

The official helping hand comes as other corners of the government take an increasingly hard line against undocumented immigrants. In May, Arizona legislators passed a bill to bar illegal immigrants from English classes, child care and other state-subsidized services; it was vetoed by the governor. In Kansas, opponents of a measure to offer in-state tuition to college-bound students who are illegal immigrants have taken legal action to prevent its implementation. Also in May, Congress approved a measure containing a provision that would make it impossible for illegal immigrants to acquire a driver's license.

"There is a fundamental contradiction here," says James Smith, a senior economist at the Rand Corp., a Santa Monica, Calif., think tank. "We have one policy saying you can't be here illegally. In practice, another policy is saying that if you're here, we're going to cater to you."

In Wisconsin, the state housing agency's decision to help banks lend to illegal immigrants has set off a fierce debate in the state Senate over whether these newcomers should benefit from programs designed for legal residents. The initiative has also spurred banks in other states to kick off similar programs.

Like many parts of the U.S., this state of dairy farms and heavy industry has seen its Spanish-speaking community swell in recent years. Immigrants, mainly from Mexico, have journeyed here to fill jobs in construction, foundries and other low-skill industries. Latinos represent only 4% of Wisconsin's total population. But the population doubled between 1990 and 2000 to about 200,000, and continues to grow. The Hispanics are concentrated around Milwaukee and Madison, the state capital.

In Milwaukee, Mitchell Bank has seen those changes up close. It was founded in 1907 by the Schneider family, who named the bank after the main street in the bustling area known as the South Side. For most of its history, the bank served Polish and German immigrants. As European families moved to the suburbs, Mitchell Bank opened new branches there. But bank loyalty didn't transfer to young customers, who preferred big banks with ATMs on every corner.

In the 1990s, Mitchell Bank's old turf on the South Side began to see an influx of Latino immigrants. Taco shops and clothing stores playing piped Mexican folk music proliferated. James Maloney, the chairman of Mitchell Bank, saw the newcomers as a solution to the bank's declining fortunes. Its assets had dropped to \$60 million in 1999 from \$95 million in the early 1990s.

One afternoon in 1999, he walked into the bank and saw no one in the expansive hotel-like lobby but the staff. Outside, the street was filled with Latinos. "If all these people were working here and living here, I knew we had to change what we do," said Mr. Maloney, a labor attorney who took over the bank after his father-in-law died in 1991.

Mr. Maloney promoted Frank Villa, a teller and the sole Hispanic employee, to customer-service representative. He re-hired a Latina former staffer and recruited many others. The new employees translated the bank's brochures and deposit slips into Spanish, and hung banners in Spanish outside to lure passersby. Inside the bank, a painting of Mexico's patron saint, Our Lady of Guadalupe, was prominently displayed.

Mr. Maloney invited Latino community leaders and clergy to a town-hall-style meeting at the bank. Out of one meeting came the idea of opening a branch in a local high school, to ease distrust of banking among immigrants by introducing it to their children first.

The bank also offered pamphlets on how to apply for a Wisconsin state ID and driver's license, and invited the Mexican consulate in Chicago to visit with a mobile unit that issues "matricula" cards, another form of identification, issued by the Mexican government and often accepted by banks. In early May, it sent out letters to 2,400 of its undocumented customers warning that Congress was on the verge of passing a federal law, dubbed "Real I.D.", that would make it more difficult for illegal immigrants to get drivers' licenses.

Mr. Maloney decided in 2002 the bank should also start offering mortgages even to illegal immigrants, convinced that would revitalize the run-down area and generate new business. The move would be in line with a federal law, enforced by the FDIC, that requires banks to invest in the communities in which they gather deposits, according to the banker.

Because most undocumented immigrants don't have a credit history, the bank decided to consider utility, rent and overseas-remittance receipts in assessing their creditworthiness. A letter from a pastor was also welcome.

As demand for home loans gradually increased, a problem arose: Taking on the loans was creating more risk than a small bank could shoulder on its own. That's because unlike other mortgages, the loans were not sellable on the secondary market to Fannie Mae and Freddie Mac, which currently don't deal in loans for illegal immigrants as a matter of official policy. That means Mitchell Bank had to hold all the loans in its portfolio rather than spreading out the risk.

The issue was resolved last year, after Mr. Maloney made a presentation to the Wisconsin Housing and Economic Development Authority. Its mission is to help low-income families buy homes by offering mortgages at preferential interest rates that are fixed for 30 years. The housing agency regards its home-ownership program as key to combating predatory lending, which has exploded in poor inner cities, and revitalizing downtown neighborhoods. The state agency decided to start a pilot program for undocumented immigrants.

"We can stick our heads in the sand and pretend these people don't exist, or we can help them be in the U.S. with assets," says executive director Antonio Riley, the head of the Wisconsin housing authority. He has received applications from many banks interested in offering loans to undocumented immigrants.

The housing authority finances the mortgages, which Mitchell Bank and other institutions sell to their customers. Thus, Mitchell Bank no longer retains the risk for the loans.

To be considered for a loan, illegal immigrants must fulfill the same criteria as applicants who hold Social Security numbers -- proof of regular income and state residency. If they qualify, the undocumented borrowers get the same terms as other state residents.

Like Mitchell Bank, the housing authority uses the IRS-issued tax- registration number, the Individual Taxpayer Identification Number, or ITIN, instead of a Social Security number, which illegal immigrants generally cannot obtain. The banks need such numbers because they have to report their income to the government. In 1997, the IRS started issuing ITINs to foreigners who aren't eligible for a Social Security number to encourage them to file an income-tax return, regardless of immigration status. As of December 2004, the IRS had issued eight million such numbers.

An IRS spokesman declined to comment on the use of the ITIN by illegal immigrants applying for a mortgage. In prepared testimony to two congressional subcommittees last year, IRS Commissioner Mark Everson said "we are concerned that the ITIN has become an acceptable form of identification similar to the Social Security number."

The Garcias arrived at Mitchell Bank last August without a credit history or a single credit card to their name. A few days later, Mr. Garcia brought his ITIN and proof that he had filed taxes every year since getting the tax ID. He also brought pay stubs to show he earns about \$450 a week making concrete molding to secure caskets in the earth, a job he has held for four years. Mrs. Garcia, who says she carefully stores bills in a safe place, amassed the receipts for every utility and rent payment the couple had ever made.

Mr. Villa, now a loan officer, read all the loan documents to the couple in Spanish. A home inspector visited the Garcia's house in September. The Garcias then obtained a \$54,600 mortgage from Mitchell Bank. The Wisconsin housing authority financed it at a fixed rate of 5.3% over 30 years. The couple was required to make a modest down payment. On Oct. 19, two months after starting the application process, the couple closed on the house. All told, the couple now makes a monthly mortgage payment of \$443 instead of \$600 a month in rent on the same house.

In four years, Mitchell Bank has issued about 100 similar home loans, mainly to illegal immigrants, and says it has never experienced a default; it has recorded two late payments. The average household income of borrowers is \$30,000 annually, for mortgages ranging from \$30,000 to \$100,000. Thanks to its outreach to Latino immigrants, including many illegal ones, Mitchell Bank is recording 4.5 times more transactions and at least that much more traffic at its three branches than a few years ago. It is looking for a site to open a new branch in nearby Waukesha, which has a fast-growing Hispanic population. "Our portfolio is evidence that the undocumented are model customers," says Jeff Bowman, president of Mitchell Bank.

More banks are following in Mitchell's path, helped by the FDIC, which has reached out to banks in the Midwest to encourage them to lend to immigrants, regardless of their legal status in this country. Some of the banks have become aggressive players in the undocumented market.

The initiative, based in Chicago, is partly an outgrowth of FDIC efforts to contain predatory lending, whose main victims are blacks and Latino immigrants. Without access to traditional banking, undocumented immigrants are especially easy prey for unscrupulous lenders who charge exorbitant interest and closing fees for mortgages. "Our job is to encourage banks to lend and invest in underserved markets," says Michael Frias, an FDIC official in Chicago. "We don't make distinctions of immigration status."

Dozens of small banks in such states like Ohio, Illinois, Iowa and Texas have recently started offering undocumented immigrants the opportunity to apply for home loans with an ITIN. Big banks, like Wells Fargo & Co. and Bank of America Corp., say they plan to launch their own programs within months. Don Cohen, a vice president at North Shore Bank in Milwaukee, which offers ITIN mortgages, says he has fielded inquiries from banks in Alabama, Minnesota, Mississippi, South Carolina and Washington, among others interested in serving undocumented immigrants.

For its part, the Wisconsin housing authority is stepping up efforts to promote its program to help immigrants get mortgages. Since last April, it has disbursed 112 ITIN-mortgage loans valued at about \$12.2 million in total. The housing authority has been flooded with inquiries from housing agencies and lending institutions in other states. The Illinois Housing Development Authority, for one, is expected to unveil its ITIN mortgage program this summer.

But a year since its introduction, the agency's pioneering initiative is also drawing fire. Mark Belling, an outspoken conservative radio talk-show host, has lambasted the mortgage program on the air. "We should not be encouraging illegal immigration by offering home loans and the American dream to people who didn't enter the country legally," says state Rep. Steve Kestell, a Republican. "I am concerned that we are sending the message that we as a state welcome illegal immigration."

Republican state Sen. Glenn Grothman, who says the state agency shouldn't be in the business of rewarding lawbreakers, has introduced a bill to quash the program.

Mr. Grothman first heard about the ITIN mortgage on Mr. Belling's radio show. In an interview, Mr. Grothman said it's untenable that the "government sets up a program specifically designed to benefit people who have chosen to ignore...immigration laws."

The bill is now before a state Senate committee. To become law, it will have to pass both houses of the legislature, which are controlled by Republicans, and get Democratic Gov. Jim Doyle's signature.

Meanwhile, the Garcias used their ITIN to get a second, home-improvement loan for \$13,700 with Mitchell Bank. The house already has a new cream-colored front door, newly built carport and renovated basement. Their summer plans include putting new siding on the house and laying grass in the backyard.

Journal Link: Check the latest mortgage rates and compare home- financing options with Mortgage Tools, at RealEstateJournal.com.

Unlawful Entry

Illegal-immigrant population in the U.S.

April 1980: 3.0 million

January 1982: 3.3

June 1986: 4.0

June 1989: 2.5

October 1992: 3.9

October 1996: 5.0

April 2000: 8.4

March 2004: 10.3

Note: September 1986 amnesty legalized many illegal immigrants

Source: Pew Hispanic Center, based on current population surveys

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