



# ITIN Mortgages

## Barriers and Opportunities to Advance Latino Homeownership

*Laurie Goodman, Aniket Mehrotra, and Amalie Zinn*

*February 2024*

Prior Urban Institute research found that Latino households were poised to drive nearly 70 percent of net homeownership gains through 2040 (Goodman and Zhu 2021). These projected gains were attributed both to the rapid growth of the Latino population in the US, many of whom are aging into their prime homebuying years in the coming decades, and the wide homeownership rate gap between Latino households and white households. According to the 2022 American Community Survey, 51.1 percent of Latino households are homeowners, compared with nearly three-quarters of white households. But for the projected growth in Latino homeownership to be achieved, the mortgage market needs to be adapted to lower systemic barriers. One such barrier is a lack of mainstream mortgage financing for Individual Tax Identification Number (ITIN) holder households, a majority of whom are Latino.

Latino households are not a monolith. Research suggests that some Latino households face distinct barriers and thus have more limited opportunities than others in the mortgage market (Zinn, Ratcliffe, and Limón 2023). For example, Latino households with limited English proficiency face barriers navigating and shopping in the mortgage application process (Choi et al. 2023). Multigenerational Latino households where multiple people earn significant incomes and could contribute to the mortgage face barriers in having that full household income represented on their application for mortgage financing (Zinn, Ratcliffe, and Limón 2023).

Latino households are also disproportionately likely to be unbanked and underbanked and have lower incomes and less wealth than their white counterparts, on average.<sup>1</sup> Many Latino households also live in high-cost markets and face acute challenges regarding affordability and lack of housing supply (Smeraski et al., n.d.). Moreover, Latino households are more likely than white households to be targeted for predatory financial products, and some Latino households face immigration status barriers that can

make it difficult to fully document income or access government-backed mortgage products that generally serve lower-income borrowers (Fannie Mae 2023a).

One understudied group of Latino borrowers are ITIN holders, a group of borrowers underserved by the housing finance system. Under US law, all those with federal tax obligations must obtain an ITIN and pay taxes on income. Obtaining an ITIN is an often tedious and complicated process,<sup>2</sup> but having such identification may be necessary to fully participate in American society. Under some state laws, an ITIN can be used to open a bank account, obtain a driver's license, or facilitate getting a better job or starting a business.

But most mortgage products require a borrower to use a Social Security number (SSN) to verify their identity and pull credit history. A small yet growing set of lenders offer mortgage products to ITIN holders, often at higher interest rates and with stricter lending requirements, despite anecdotal evidence that this type of lending does not pose additional risk to the housing finance system (Hofheimer et al. 2018; Inclusiv 2018; OIG 2013). Expanding access to mainstream mortgage products for ITIN holders, a large majority of whom are Latino, could expand access to homeownership, and the wealth-building opportunities and stability that it provides, for an important untapped and underserved market (Olson 2012).

Through interviews with mortgage lenders and investors, we set out to understand the ITIN mortgage market. Anecdotal evidence has previously shown that ITIN loans are made across the US, but there has been little work done to aggregate knowledge about how this lending occurs and about the barriers and opportunities to expanding the market. In this brief, we first provide an overview of the information that already exists on ITIN holders and mortgage products for ITIN holders. From there, we aggregate findings from interviews and focus groups with 23 market stakeholders to clarify the size of the ITIN mortgage market, the financing available for these mortgages, the demand for them from eligible borrowers, barriers to expanding ITIN mortgage lending, and the major opportunities for policy interventions.

## Key Takeaways

- **The current market for ITIN loans is small, but our interviews and estimates suggest that it could be significantly expanded.** We estimate that 5,000 to 6,000 ITIN mortgages were made in 2023, but this could be up to 73,000 to 88,000 if market barriers were removed.
- **ITIN loans perform well and are responsibly underwritten, according to prior research and our interviewees' accounts.** Performance data are needed to quantitatively demonstrate the low delinquency rates to encourage market entry.
- **The lack of a significant secondary market for ITIN loans is the largest barrier to expanding the market.** The government-sponsored enterprises (GSEs), Fannie Mae and Freddie Mac, largely do not buy ITIN loans, and the Federal Housing Administration (FHA) does not insure

mortgages if the borrower cannot prove legal US residency. Changing these policies can bring much-needed liquidity to the ITIN mortgage market.

## Background and Prior Research

### Who Are ITIN Holders?

The Internal Revenue Service (IRS) created the ITIN designation in 1996 to enable those without an SSN to pay taxes. Those with authorization to work in the United States—including US citizens, permanent residents (i.e., green card holders), Deferred Action for Childhood Arrivals recipients, and Temporary Protected Status beneficiaries—are eligible for an SSN. Those who are not legally authorized to work in the United States are not eligible for an SSN but, by law, must obtain an ITIN if they have a tax filing obligation.<sup>3</sup>

Publicly available data on ITIN holders are limited. The Taxpayer Advocate Service notes that in 2019, more than 2 million tax returns were filed where the primary taxpayer used an ITIN, and about 550,000 additional returns were filed where only the secondary taxpayer used an ITIN.<sup>4</sup> This does not capture the entire ITIN-eligible population, though, in part because federal law under the PATH Act triggered program changes beginning in 2015, which set a three-year expiration on ITINs for the first time and required reapplication after expiration.<sup>5</sup> For example, in 2014, 5.25 million tax returns were filed using an ITIN, representing about 25 percent of the 21 million ITINs in circulation (Sifre 2021). IRS data from 2012 showed that most ITINs were issued to those from Latin American countries, with 72 percent from Mexico, 7 percent from Guatemala, 5 percent from Honduras, and 3 percent from El Salvador (Olson 2012). That is, 90 percent of the ITIN holders were from these four countries alone.

### ITIN Lending

A provision of the USA PATRIOT Act of 2001<sup>6</sup> enables banks to accept ITINs as a form of eligible identification, which expanded access to financial services products (e.g., credit cards, auto loans, consumer loans, and home mortgages) to immigrants (OIG 2013). Although lending to ITIN holders is fully permitted by law, the limited research on ITIN lending suggests that the credit available to ITIN borrowers is significantly lower than the credit available to SSN borrowers (Inclusiv 2018). In the mortgage sector, the fact that the mortgages cannot effectively be sold to the GSEs nor insured by the FHA sharply limits their availability.<sup>7</sup> On paper, both Fannie Mae and Freddie Mac purchase ITIN mortgages, provided that the borrower is “legally present in the United States.” The FHA requires nonpermanent residents to have an SSN to be eligible for FHA-insured financing, except refugees and asylum seekers.<sup>8</sup> As a result, only a slim portion of ITIN loans are eligible for secondary market backing, as most ITIN holders are undocumented. For example, Fannie Mae’s seller servicer guide reads as follows:

Fannie Mae purchases and securitizes mortgages made to non-U.S. citizens who are lawful permanent or non-permanent residents of the United States under the same terms that are

available to U.S. citizens. Fannie Mae does not specify the precise documentation the lender must obtain to verify that a non-U.S. citizen borrower is legally present in the United States. The lender must make a determination of the non-U.S. citizen's status based on the circumstances of the individual case, using documentation it deems appropriate. By delivering the mortgage to Fannie Mae, the lender represents and warrants that the non-U.S. citizen borrower is legally present in this country (Fannie Mae 2023b, 230).

As a result, neither GSE purchases a significant number of ITIN mortgages, which eliminates the largest liquidity source for this segment of the homebuying market. This policy is not statutorily defined and can be changed by Federal Housing Finance Agency, the GSEs' regulator. Additionally, these guidelines place the onus on the lender to verify the borrower's legal status. Lenders are generally unlikely to assume this risk, as they will be forced to repurchase the loans if they cannot do so to the satisfaction of the agencies, which in turn do not provide guidance on the "precise documentation" they require. As a result, these borrowers effectively cannot access a traditional GSE or FHA mortgage.

Evidence shows there are significant barriers to expanding the ITIN mortgage market.

- A 2006 report by the Federal Deposit Insurance Corporation finds that the lack of a secondary market limits the growth of the ITIN mortgage market (Paulson et al. 2006). In 2004 and 2005, the Wisconsin Housing and Economic Development Authority and six local banks offered a small secondary market for ITIN mortgages, though this was short lived. Another barrier, the authors note, was the conflicting messaging and lack of universal acceptance of non-SSN identity verification.

Despite these barriers, the existing research suggests that ITIN lending is a critical and sustainable way to increase access to financial services for immigrants (Inclusiv 2018). There are promising indications that ITIN lending can be profitable for lenders without taking on more risk than is present with loans to SSN holders:

- A 2018 performance report by the Filene Institute evaluated a pilot ITIN lending program by 13 credit unions of varying assets and experience, issuing nearly 2,200 ITIN loans, mostly auto loans (Hofheimer et al. 2018). All the lenders in the program reported positive returns on assets, between 2.38 and 5.71 percent, compared with an average return of 0.75 percent across all products.
- An ITIN lending implementation guide by Inclusiv, a key intermediary of community development financial institutions (CDFIs) and community development credit unions, followed up with participants in the Filene pilot and found low delinquency rates in their ITIN portfolios at least two years after program implementation (Inclusiv 2018).

Although the data are limited, research suggests that ITIN lending has a substantially positive impact on lenders, borrowers, and communities. All the lenders in the Filene study said they would recommend ITIN lending to other credit unions, and 54 percent agreed that it increased their membership. The programs had a strong consumer impact, with nearly all borrowers responding to a survey agreeing that their ITIN loan was fairly priced, stabilized their finances, and helped with an

emergency. At the community level, ITIN lending programs had positive impacts on Latino immigrant communities.

Case studies and existing research emphasize that these programs require cultural and financial considerations before implementation in order to be successful.

- The Inclusiv report notes that lenders need to understand and tailor their services to the needs and experiences of ITIN borrowers and their communities, including addressing stigma and misconceptions about debt and credit, supporting borrowers with limited English proficiency, and countering concerns about anti-immigrant political sentiment (Inclusiv 2018).
- The report also recommends fostering a strong commitment to serve immigrant communities among the institution's board of directors and senior staff members and building a bilingual and bicultural staff.
- Around risk, Inclusiv notes the importance of using alternative underwriting criteria to serve ITIN borrowers, who are more likely to be credit invisible, and to ensure a strong compliance foundation under the Bank Secrecy Act (Inclusiv 2018).<sup>9</sup>

Anecdotal evidence shows that ITIN lending is happening across the US, but significant knowledge gaps remain, particularly around the ITIN mortgage market. Who are the typical ITIN mortgage borrowers and lenders? Where are they concentrated? How do ITIN mortgage products differ from traditional mortgages, particularly regarding loan characteristics and loan performance? What are the largest barriers and opportunities to expanding ITIN mortgage lending? We interviewed ITIN lenders and investors across the US to answer these questions.

## Understanding the ITIN Mortgage Market

The following information is an aggregation of what we learned from interviews and focus groups with 23 organization stakeholders in the ITIN mortgage market: 10 credit unions and CDFIs, 1 direct mortgage lender, and 2 independent mortgage banks that do ITIN lending or want to enter the market; 3 investors in the market that buy ITIN loans; 5 US Department of Housing and Urban Development-certified housing counselors; and 2 advocates for financial services for ITIN holders.

### Who Are the Typical ITIN Mortgage Borrowers and Lenders? Where Are They Concentrated?

#### BORROWERS: SIZING THE MARKET

Aggregating information from the lenders we interviewed, we estimate that between 5,000 and 6,000 loans were made to ITIN borrowers in 2023. This is compared with 4.2 million first-lien purchase loans issued in 2022, about 524,000 of which went to Latino borrowers, according to Home Mortgage Disclosure Act data.

This number does not capture the potential market for ITIN mortgages if all the barriers we explore in this brief were removed. Estimating the number of households who could be served by ITIN mortgage products is difficult, both because of significant data gaps and the fact that not all who are eligible for an ITIN obtain one, in part because of the onerous application process. But we attempt a rough estimation of the potential ITIN mortgage market, using the undocumented immigrant population as a proxy for ITIN holders.

In 2021, there were 11.2 million undocumented immigrants in the US, or roughly 4.4 million households, given American Community Survey estimates of persons per household (11.2 million households / 2.57 individuals per household).<sup>10</sup> About 79 percent of them are from Latin America and the Caribbean (which includes Latinos from Cuba, the Dominican Republic, and Puerto Rico), so we estimate about 3.4 million Latino undocumented immigrant households in the US in 2021 ( $0.79 * 4.4$  million).<sup>11</sup> There were 18.3 million Latino households in the US in 2021, so we estimate that Latino undocumented immigrant households made up 18.8 percent of total Latino households in 2021 (3.4 million / 18.3 million). Because ITIN holders tend to have low incomes and weak credit characteristics on average, we look at the share of Latino homeowners in 2021 with low incomes. In 2021, the overall homeownership rate for Latino households was 50.6 percent, and for Latino households in the bottom 50 percent of the income distribution, the homeownership rate was about 37.4 percent, according to American Community Survey data. We then take the ratio of low-income-to-total homeownership rates for Latinos ( $0.374 / 0.506 = 0.741$ ) and multiply it by the 18.8 percent share of Latino households in 2021, suggesting that 13.9 percent of Latinos who are ITIN holders could both desire and potentially qualify for a mortgage. A total of 632,392 loans were made to Latino borrowers in 2021, and 524,449 were made in 2022. We then scale these by the 13.9 percent share of potentially qualifying Latino undocumented households, yielding 73,040 to 88,073 mortgages that could be made to Latino ITIN holders annually if supply-side market barriers were removed.

Compare this with our estimate of 5,000 to 6,000 ITIN mortgages made annually, based on information from our interviews, and it appears the potential demand is much greater than the current supply. If barriers were removed and 73,000 to 88,000 ITIN mortgages were made to Latino borrowers each year as opposed to the 5,000 to 6,000 made currently (most of which are made to Latino households, according to our interviews), the Latino homeownership rate could increase by 0.40 to 0.48 percent per year.

Consistent undercounting of undocumented people likely deflates these numbers, and the number of undocumented people in the US over time varies based on current immigration policy, political and economic conditions in other countries, and other factors.<sup>12</sup> For example, Pew notes a decline in the undocumented immigrant population since a peak of 12.2 million in 2007.<sup>13</sup>

Also absent from this estimate are considerations of mixed-status households (i.e., where one coborrower has an SSN and the other has an ITIN) who should be included in the pool of potential ITIN mortgage borrowers. That is, the income of the coborrower with an ITIN cannot be used to qualify the household for a non-ITIN loan. If this income is necessary for a household to qualify for a mortgage, the household must use an ITIN loan product. It is difficult to estimate the number of mixed-tax-status

households, specifically the share of those who are mortgage ready, as tax filing data do not indicate whether the ITIN holder is a primary or secondary filer. Data from the Migration Policy Institute from 2019 suggest that 12 percent of all undocumented immigrants are married to a US citizen, and about one-third live with a child who is a US citizen.<sup>14</sup> Notably, 28 percent of undocumented immigrants lived in owned, not rented, homes in 2019, but it is unclear what share of these immigrants are themselves homeowners.

Although undocumented people are a small share of the US population, this population is highly geographically concentrated, with 56 percent living in California, Florida, Illinois, New Jersey, New York, and Texas in 2021.<sup>15</sup> This concentration suggests that ITIN lending programs could be particularly important or impactful in select geographies where ITIN-eligible households live.

## LENDERS

Currently, very few lenders offer ITIN loans, as they are niche products. Credit unions and CDFIs tend to be the primary lenders in the market. CDFIs are not subject to ability-to-repay/qualified mortgage (QM) rule requirements, and small banks and credit unions with under \$10 billion in assets and where the loans are held in portfolio are subject to less restrictive rules under the Dodd-Frank Act (CFPB 2021).<sup>16</sup> This gives lenders more flexibility on the rates and terms they can offer on these loans, as well as flexibility on borrower qualifications.<sup>17</sup> Most credit unions that offer ITIN loans tend to have the CDFI certification from the US Treasury Department and tend to serve areas with large Latino populations. Several independent mortgage banks also offer ITIN loans. Independent mortgage banks do not have portfolios, so they sell to credit unions, banks, or mortgage real estate investment trusts (REITs). In turn, these mortgage REITs include these loans in their non-QM (nonqualified mortgage) securitizations. Because the ITIN market is very small, these loans constitute less than 1 percent of non-QM securitizations, according to one of our interviewees. When a REIT buys a pool of non-QM loans, it will often find a few ITIN loans included, unless it has been stipulated that the REIT will not accept these loans.

## How Do ITIN Mortgage Products Differ from Traditional Mortgages, Particularly Regarding Loan Characteristics and Loan Performance?

### PERFORMANCE

We heard overwhelmingly that ITIN loans perform just as well, if not better, than loans to SSN holders. Although many institutions that offer these loans are not subject to the ability-to-repay rule, our discussions with originators indicate that all the institutions that offer these loans go to great lengths to make sure the borrower has the ability to repay. Additionally, lenders attributed strong debt aversion among Latino immigrants, as well as having multiple earners in a household, to the strong repayment capability of ITIN borrowers (Elengold, Dorrance, and Agans, n.d.).

The institutions we interviewed that offer ITIN loans all emphasized their strong performance. Two institutions with reasonably sized portfolios quoted delinquency rates that were much lower than the Mortgage Bankers Association delinquency rates for the mortgage market as a whole. Interviewees

indicated the lower delinquency rates reflect the reality that these mortgages are less likely to lapse into delinquency, and once they do go delinquent, they cure faster. Some lenders treat their ITIN loans the same way they treat their loans to SSN holders once they have been underwritten, as they consider the loans to have similar risk profiles.

## CHARACTERISTICS OF ITIN LOANS

This strong performance is particularly notable because ITIN loans generally require higher interest rates and down payment requirements than loans made to SSN holders. Below, we review the requirements, which we have compiled from numerous interviews.

- **Proof of identity.** Lenders require proof of identity (e.g., a passport for the borrower's home country or a driver's license) in addition to the ITIN. This is similar to what is required if the borrower has an SSN.
- **Income documentation.** Tax returns typically serve as income documentation. Borrowers must generally provide two years of tax returns and usually three months of bank statements. This process is often expedited, as many borrowers bank at the credit union that is making these ITIN loans. Many lenders are willing to count (or partially count) the income of family members that contribute to the rental or mortgage payments, as long as the income and contribution to the housing costs can be documented.
- **Credit score.** Most of those who apply for ITIN mortgages have traditional credit scores. But for those who do not, the lending institutions usually require at least two trade lines of alternative credit. This can include rental payments, cell phone or utility payments, or retail records that are not reported to the credit bureaus.
- **Interest rates.** Generally, interest rates on ITIN loans are 50 to 200 basis points higher than rates on traditional mortgages. If interest on a new mortgage is currently 6.5 percent, interest on a new ITIN loan would be 7.0 percent to 8.5 percent.
- **Down payments.** Down payments on ITIN loans are usually higher than on loans that could be sold to the GSEs and the FHA, in part because of a lack of private mortgage insurance coverage. The required down payments for ITIN mortgages range from 10 percent to 20 percent. In comparison, FHA mortgages require 3.5 percent down, and GSE mortgages require at least 3 to 5 percent down, depending on the borrower's characteristics.

In short, the qualification is similar to a GSE or FHA mortgage, but the institution holding the loan is better protected from default risk because the loan-to-value ratio is lower and the interest rate is higher. Some lenders indicated that although they view these loans as no riskier under ordinary circumstances, they are perceived to be more vulnerable to default because of unpredictable changes in immigration policy. But the lenders we interviewed suggested this perception was not demonstrated in performance.

## What Are the Largest Barriers and Opportunities to Expanding ITIN Mortgage Lending?

### BARRIERS

Several barriers inhibit the growth of the ITIN mortgage market. The primary barrier to expanding ITIN lending is the lack of a secondary market, according to most of the lenders we interviewed.<sup>18</sup> This is an even larger barrier for independent mortgage banks, which cannot hold loans in portfolio. Interviewees noted that although they often sell similar non-ITIN loans to the GSEs, this pathway is not available for ITIN loans, as the GSEs have a legal-presence requirement, which was cited as a significant hurdle to expanding the market. The GSEs serve two functions in the mortgage market: they are a source of liquidity, by purchasing the loans, and are a source of standardization, through their market guidance. Because there is a lack of meaningful GSE support for the ITIN mortgage market, lenders lack both a secondary market to sell their ITIN loans and standard guidelines for lending to ITIN holders. In addition, some lenders, particularly those who lack awareness or understanding of the Latino and immigrant markets, may not lend to ITIN holders because of the perceived risk of the borrower's deportation or concerns about safeguarding borrower privacy.

But an alternative private secondary market for ITIN mortgages does exist, which provides necessary liquidity to lenders who do not have a portfolio. A few credit unions and banks buy loans from other originators, as do some mortgage REITs. The REITs often include these mortgages in their non-QM securities, which are then sold to other investors. Because the non-QM securities include only a small number of ITIN mortgages, they are a negligible share of the pool. Furthermore, our interview participants confirmed that some of the Federal Home Loan Banks (FHLBs) accept ITIN loans as collateral for advances to lending institutions, which provide another avenue for liquidity to continue originating ITIN mortgages.

This secondary market is too small to provide adequate liquidity to the ITIN market. Most lenders keep their ITIN loans in portfolio, which yields significant capital constraints for smaller lenders and prevents most independent mortgage banks and nondepository institutions from entering the market. Overwhelmingly, we heard in interviews that the supply of ITIN mortgages is significantly constrained by the lack of a secondary market, and many lenders would significantly increase their ITIN lending if they had a secondary market outlet. Ultimately, this leaves the supply of ITIN mortgages constrained by the types of institutions that can offer them and the volume of loans those institutions can originate.

On the demand side, ITIN borrowers experience several barriers that make it difficult to qualify for a mortgage, the most significant of which is credit history. ITIN holders are a disproportionately unbanked and underbanked community because they have limited access to other credit-building products, such as auto loans and credit cards, as well as ingrained cultural conceptions around debt and credit, according to interviewees. Specifically, many Latino immigrants are accustomed to cash-based financial institutions in their home countries and have negative perceptions of debt. Mistrust of financial institutions and fears around immigration status may also contribute to a lack of credit history (Zinn et al. 2023).

We heard from some interviewees that some credit bureaus do not always accurately report ITIN holders' credit. One organization noted that when processing ITINs, the credit bureaus may use only name and address identifiers to pinpoint the borrower, leading to inaccuracies for Latino immigrants, who are likely to pass down names through generations and to frequently change addresses.

We also learned that underwriting ITIN borrowers is generally similar to underwriting SSN borrowers, though the former often requires a “higher touch.” Lenders reported that serving prospective ITIN borrowers often requires additional engagement, such as bilingual homebuyer education courses, issuing credit-building loans, collecting alternative underwriting criteria, and deciphering an ITIN holder's credit report. Importantly, beyond setting up an ITIN mortgage program and a process to accept and validate ITINs as a form of identification, lenders noted that the high-touch aspects of ITIN lending are no different from lending to other underserved groups with thin credit files or less information about the homebuying process. Regardless, lenders without an adequate cultural understanding of undocumented borrowers, the capacity to provide these services, or knowledge of alternative forms of credit (e.g., income statements or rent payments) may be less equipped, and thus less likely, to issue mortgages to ITIN holders.

Another significant related barrier for ITIN borrowers is affordability. The largest affordability issue for ITIN holders is that these borrowers generally have lower incomes or may work in income arrangements that are less well documented.<sup>19</sup> Additionally, many lenders price ITIN loans at a small premium—generally 50 to 200 basis points—compared with loans that are typically sold to the GSEs to account for a lack of private mortgage insurance and the implicit costs of tying up balance sheet capacity (for the mortgage holders) or the investor's higher yield requirements, attributable to either perceived risks or lack of liquidity (for lenders that sell their loans). Some lenders demand at least a 20 percent down payment for ITIN borrowers, an often unsurmountable obstacle, particularly for undocumented borrowers, who may not qualify for down payment assistance. This is in addition to affordability constraints for all borrowers, including risk-based pricing (ITIN borrowers likely have low or no credit scores and thus higher risk weights, on average) and rising interest rates and home prices. Latino households are also more likely than other households to live in high-cost markets, which adds an additional burden as home prices and loan amounts are higher (Smeraski et al., n.d.).

## Opportunities and Policy Solutions

The current ITIN mortgage market is small (only 5,000 to 6,000 loans were likely made in 2023), but we estimate it can be much bigger—up to 88,000 loans—if supply-side barriers were removed. The stakeholders we spoke with (i.e., small and large lenders, including credit unions, CDFIs and independent mortgage banks, and private investors) report these loans perform well. Interviewees also indicated that there is more demand than is currently being served. In short, good loans are going unmade to working, taxpaying families ready to become homeowners. How can ITIN lending become a mainstream product, with a commensurate increase in volumes to properly serve this untapped market?

- **The most significant barrier is the lack of a secondary market.** A more robust secondary market outlet would allow more independent mortgage banks to originate these loans. Clearly, making these loans eligible for sale to the GSEs or for FHA insurance would be the most powerful action that can be taken. We believe this action can be taken administratively by simply removing the legal-presence requirement and providing guidance on the necessary documentation. This solution could be included in the GSEs' Equitable Housing Finance Plans, as it would address a barrier to sustainable opportunities for an underserved community (i.e., ITIN holders). But even absent this change, there are a few actions that could be taken to help develop the secondary market:
  - » **Greater standardization on loan specifications.** Currently, each secondary market investor sets its own parameters on what it is willing to buy. Assume there was greater standardization with respect to identity verification, minimum documentation standards, credit score computation for those without credit scores (e.g., through using alternative underwriting data), and limitations on counting the incomes of family members who contribute to the mortgage but are not on the mortgage. This standardization would allow originators to sell to a wider range of investors. Rating agencies could develop models for how to treat these loans when they are included in non-QM securitizations. The FHLBs that do take ITIN loans as collateral for advances would better understand the collateral they are taking, and FHLBs that are not taking ITIN loans as collateral for advances may be more willing to do so. No regulator or trade association is naturally positioned to develop these standards, but because so many participants are community development credit unions, Inclusiv (formerly, the National Federation of Community Development Credit Unions) could coordinate the effort. It could invite other investors—including credit unions that are not members of Inclusiv, banks, and mortgage REITS, as well as independent mortgage banks that are active as originators—to join the effort.
  - » **Written policies from the FHLBs describing the quantity and characteristics of ITIN loans they are willing to accept as collateral for advances, relative to institution size, capital, FHLB stock, or some other measure.** Certainly, standardization would make this task easier, as it would provide parameters to the FHLBs on the collateral they were accepting. Several credit unions were unaware that many FHLBs took ITIN mortgages as collateral.<sup>20</sup>
  - » **Performance data.** Although anecdotal evidence strongly indicates that these loans perform well, aggregate industry data are missing. Perhaps Inclusiv, in addition to coordinating standards, could obtain and aggregate performance data from lenders that service the loans. If these data were made public, they would encourage more institutions to enter the ITIN market. That is, if each institution was willing to provide the following data, the data could be aggregated and compared with the Mortgage Bankers Association delinquency data and with the GSEs' loan-level credit performance data. These data do not compromise personally identifiable information.
    - **Sample data request** on a monthly or quarterly basis since January 2000 (or month and year of first ITIN origination if after January 2000):

- » number of ITIN loans in portfolio
  - » dollar volume of ITIN loans in portfolio
  - » number of ITIN loans 90 days or more delinquent or in foreclosure
  - » dollar volume of ITIN loans 90 days or more delinquent or in foreclosure
- » **Greater clarity from the IRS on ITIN holders and their characteristics.** Data from public IRS data on ITIN filers is limited. Any data on filers' characteristics (e.g., a time series on the number of ITIN filers and data on the consistency of filings, whether the same people file year after year, filers' incomes, family size, and the share and number of mixed-status filing households) would improve researchers' and lenders' ability to size the potential market. Better IRS disclosures would also support industry efforts to advocate for a broader secondary market. Data, standardization, written policies from the FHLBs, and more public disclosure from the IRS would likely expand the investor base.
- **Another major barrier is affordability.** Many ITIN holders tend to have lower incomes, making it more difficult to attain and sustain homeownership. Several policy actions can be taken.
  - » **Requiring down payment assistance programs to be available on the same terms to ITIN holders as to SSN holders.** Some assistance programs are available to ITIN holders, while others are not. Down payment assistance is valuable to lower-income borrowers and especially so for ITIN holders, as the required down payment is higher than that on GSE and FHA mortgages.
  - » **Allowing ITIN holders to access homestead exemptions and Mortgage Tax Credit Certificates.** Homestead exemptions give residents or residents over a certain age or those with disability status a break on local property taxes. The increase may be limited, or the homeowner may be entitled to exempt some dollar amount of their home's value from property taxes. In some areas, this is not available to ITIN holders, unless the spouse has an SSN. The Mortgage Tax Credit Certificate program is administered by state housing finance agencies, and it gives a dollar-for-dollar credit on federal tax returns for low- and moderate-income first-time homebuyers who receive the certificates.<sup>21</sup> Those with ITINs are not eligible for this program in many areas because they do not have SSNs.
- Another critical barrier is the ambiguity of the relationship between ITIN borrowers, lenders, the US Department of Homeland Security, and the US legal system. Clarification is needed.
  - » **Publicly clarify the extent to which sharing of information between the Department of Homeland Security and the IRS is permitted under federal law.** Because it is a complicated process, many workers do not get ITINs, even though it may allow them to participate in American society more easily, such as giving them access to a driver's license or to mortgage credit. Even though federal law and interagency agreements set strict rules for which data the IRS and other federal agencies that are not involved in national security can share with the Department of Homeland Security, many undocumented workers do not believe it and are reluctant to obtain an ITIN.<sup>22</sup> It would be helpful if this was clarified through explicit and public release of IRS and Department of Homeland Security guidance.

- » **Clarify lenders' obligations with respect to consideration of immigration status.** On the lender side, the Consumer Financial Protection Bureau and the US Department of Justice issued a joint statement on October 12, 2023, noting that although the Equal Credit Opportunity Act does not expressly prohibit consideration of immigration status, overbroad reliance on immigration status in the credit decisioning process may run afoul of the act's antidiscrimination provisions (DOJ and CFPB, n.d.). Advisory opinions are helpful but not binding and can change with the administration. A regulatory compliant ruling would be helpful in encouraging lenders that have not entered the market because of immigration policy concerns.

## Conclusion

Serving the growing Latino demand for homeownership requires a robust, multifaceted approach led in partnership between both government and private entities (Goodman and Zhu 2021). There is an untapped market opportunity to support ITIN borrowers, who are a key part of the Latino market.

Currently, the number of ITIN mortgages being originated cannot meet market demand. In this brief, we explored ITIN mortgage products and the potential market for these loans, discussed the barriers to expand ITIN lending, and suggested practical solutions to overcome them. Government entities, in particular, can play a significant role to facilitate this lending for lenders and better serve ITIN borrowers, but private parties can help as well.

Aiding the development of a secondary market for ITIN mortgages is key. This can be accomplished by setting standards, requiring programs that ease affordability constraints (e.g., down payment assistance, homestead exemptions, and Mortgage Tax Credit Certificates), providing information on ITIN holder performance, and release of IRS data on ITIN filer characteristics. Rules that require institutions to equally serve ITIN borrowers and that clarify the relationship between ITIN borrowers, lenders, the IRS, the Department of Homeland Security, and the legal system would help further spur the development of the ITIN market.

Many lenders noted that offering ITIN mortgage products were a part of a larger mission to serve Latino communities. Promoting access to homeownership facilitates opportunity for financial inclusion and a home for ITIN borrowers and can transform the economic trajectory of entire Latino families and communities, whether borrowers are ITIN holders, SSN holders, or both.

## Notes

- <sup>1</sup> “2021 FDIC National Survey of Unbanked and Underbanked Households,” Federal Deposit Insurance Corporation, last updated July 24, 2023, <https://www.fdic.gov/analysis/household-survey/index.html>; and Aditya Aladangady, Andrew C. Chang, and Jacob Krimmel, “Greater Wealth, Greater Uncertainty: Changes in Racial Inequality in the Survey of Consumer Finances,” *FEDS Notes* (blog), Board of Governors of the Federal Reserve System, October 18, 2023, <https://www.federalreserve.gov/econres/notes/feds-notes/greater-wealth-greater-uncertainty-changes-in-racial-inequality-in-the-survey-of-consumer-finances-20231018.html>.
- <sup>2</sup> “Now Is the Perfect Time for the IRS to Make Improvements to the Individual Taxpayer Identification Number Program,” *NTA Blog* (blog), last updated February 6, 2023, <https://www.taxpayeradvocate.irs.gov/news/ntablog-now-is-the-perfect-time-for-the-irs-to-make-improvements-to-the-individual-taxpayer-identification-number-program/>.
- <sup>3</sup> See “Individual Taxpayer Identification Number,” Internal Revenue Service, last updated January 4, 2024, <https://www.irs.gov/individuals/individual-taxpayer-identification-number>. In 2022, households must file a tax return if they earn a gross income of at least \$12,950 (for individuals) or \$25,900 (for married couples filing jointly).
- <sup>4</sup> “NTA Blog: Most Taxpayers Needing a New ITIN Are Prohibited from Filing Electronically, Causing Unnecessary Refund Delays,” *NTA Blog* (blog), Taxpayer Advocate Service, last updated February 6, 2023, <https://www.taxpayeradvocate.irs.gov/news/nta-blog-most-taxpayers-needing-a-new-itin-are-prohibited-from-filing-electronically-causing-unnecessary-refund-delays/>.
- <sup>5</sup> The drop in the number of filers was largely because of the 2015 PATH Act, which purged ITIN rolls, and because of changes in tax law that eliminated the ability of ITIN holders to claim the child tax credit and the additional child tax credit. See “Now Is the Perfect Time for the IRS to Make Improvements.”
- <sup>6</sup> *Consumer Identification Program Requirements for Banks*, 31 C.F.R. X §1020.220 (2022).
- <sup>7</sup> Lopa P. Kolluri, “Eligibility Requirements for Certain Non-Permanent Resident Borrowers,” mortgagee letter to all FHA-approved mortgagees and others, May 28, 2021, [https://www.hud.gov/sites/dfiles/OCHCO/documents/2021-12hsgml.pdf?utm\\_medium=email&utm\\_source=govdelivery](https://www.hud.gov/sites/dfiles/OCHCO/documents/2021-12hsgml.pdf?utm_medium=email&utm_source=govdelivery).
- <sup>8</sup> Kolluri, “Eligibility Requirements.”
- <sup>9</sup> Urban Institute research has shown positive effects of incorporating alternative data such as rental payment history and cash-flow data on mortgage approvals for households who are credit invisible or have thin credit files (Choi et al. 2022).
- <sup>10</sup> “QuickFacts: Persons per Household, 2018–2022,” US Census Bureau, accessed January 24, 2024, <https://www.census.gov/quickfacts/fact/table/US/HSD310222#HSD310222>; and Jennifer Van Hook, Julia Gelatt, and Ariel G. Ruiz Soto, “A Turning Point for the Unauthorized Immigrant Population in the United States,” Migration Policy Institute, accessed February 9, 2024, <https://www.migrationpolicy.org/news/turning-point-us-unauthorized-immigrant-population>.
- <sup>11</sup> Van Hook, Gelatt, and Ruiz Soto, “A Turning Point.”
- <sup>12</sup> Jessica Bolter, “Immigration Has Been a Defining, Often Contentious, Element throughout U.S. History,” Migration Policy Institute, January 6, 2022, <https://www.migrationpolicy.org/article/immigration-shaped-united-states-history>.
- <sup>13</sup> Jeffrey S. Passel and Jens Manuel Krogstad, “What We Know about Unauthorized Immigrants Living in the U.S.,” Pew, November 16, 2023, <https://www.pewresearch.org/short-reads/2023/11/16/what-we-know-about-unauthorized-immigrants-living-in-the-us/>.
- <sup>14</sup> “Profile of the Unauthorized Population: United States,” Migration Policy Institute, accessed February 9, 2024, <https://www.migrationpolicy.org/data/unauthorized-immigrant-population/state/US>.
- <sup>15</sup> Passel and Krogstad, “What We Know about Unauthorized Immigrants.”

- <sup>16</sup> See also “My Mortgage Lender Told Me It Was Exempt from the Ability-to-Repay Mortgage Rule. Is This True?” Consumer Financial Protection Bureau, last updated February 22, 2017, <https://www.consumerfinance.gov/ask-cfpb/my-mortgage-lender-told-me-it-was-exempt-from-the-ability-to-repay-mortgage-rule-is-this-true-en-1793/>; and “Ability-to-Repay/Qualified Mortgage Rule,” Consumer Financial Protection Bureau, accessed January 24, 2024, <https://www.consumerfinance.gov/rules-policy/final-rules/ability-to-pay-qualified-mortgage-rule/>.
- <sup>17</sup> Before 2021, QM loans needed to have a debt-to-income ratio less than 43 percent or be sold to the GSEs. This requirement was eliminated in 2021 in favor of a rate-spread test.
- <sup>18</sup> The secondary mortgage market provides liquidity to the housing finance system. The largest players in the secondary market are the GSEs, Fannie Mae and Freddie Mac, and the government-owned corporation Ginnie Mae, all of which buy home loans out of lenders’ portfolios (which enables them to lend more), package them into mortgage-backed securities, and sell them to investors with a 100 percent payment guarantee. In the third quarter of 2023, nearly 74 percent of new mortgages were sold on the secondary market.
- <sup>19</sup> Francesc Ortega and Amy Hsin, “What Explains the Wages of Undocumented Workers?” EconoFact, July 24, 2019, <https://econofact.org/what-explains-the-wages-of-undocumented-workers>.
- <sup>20</sup> There are written policies on eligibility for the FHLBs’ Mortgage Partnership Finance Program. In this program, lenders retain the credit risk on their loans and transfer the interest rate risk to the FHLBs. The policies require the SSN or ITIN to be confirmed by the Social Security Administration. The Social Security Administration does not confirm ITINs, making it difficult for ITIN holders to qualify. The FHLBs’ Mortgage Purchase Program, offered by a few FHLBs and designed to allow lenders to retain the credit risk and transfer the interest rate risk, does not have written guidelines.
- <sup>21</sup> The certificates are generated because the state has converted some of the funds from the federal allocation of private activity bonds to this program (FDIC 2016).
- <sup>22</sup> Joshua Rodriguez, “How Does Information Sharing between DHS and Other Non-Enforcement Executive Agencies Work?” Bipartisan Policy Center blog, April 17, 2018, <https://bipartisanpolicy.org/blog/how-does-information-sharing-between-dhs-and-other-non-enforcement-executive-agencies-work/>.

## References

- CFPB (Consumer Financial Protection Bureau). 2021. *Ability-to-Repay and Qualified Mortgage Rule: Small Entity Compliance Guide*. Washington, DC: CFPB.
- Choi, Jung Hyun, Michael Stegman, Laurie Goodman, Janneke Ratcliffe, Rita Ballesteros, Liam Reynolds, Caitlin Young, Daniel Pang, and Karan Kaul. 2022. *Reducing the Black Homeownership Gap through Underwriting Innovations: The Potential Impact of Alternative Data in Mortgage Underwriting*. Washington, DC: Urban Institute.
- Choi, Jung Hyun, Amalie Zinn, Laurie Goodman, and Noerena Limón. 2023. *Language Proficiency and Homeownership Access*. Washington, DC: Urban Institute.
- DOJ and CFPB (US Department of Justice and Consumer Financial Protection Bureau). n.d. "Joint Statement on Fair Lending and Credit Opportunities for Noncitizen Borrowers under the Equal Credit Opportunity Act." Washington, DC: DOJ and CFPB.
- Elengold, Kate Sablosky, Jess Dorrance, and Robert Agans. n.d. *Debt, Doubt, and Dreams: Understanding the Latino College Completion Gap*. Chapel Hill: University of North Carolina at Chapel Hill.
- Fannie Mae. 2023a. *The Latino Housing Journey*. Washington, DC: Fannie Mae.
- . 2023b. *Selling Guide: Fannie Mae Single Family*. Washington, DC: Fannie Mae.
- FDIC (Federal Deposit Insurance Corporation). 2016. "Mortgage Tax Credit Certificate (MCC)." In *Affordable Mortgage Lending Guide: A Resource for Community Bankers, Part II: State Housing Finance Agencies*, edited by the FDIC, 23–26. Washington, DC: FDIC.
- Goodman, Laurie, and Jun Zhu. 2021. *The Future of Headship and Homeownership*. Washington, DC: Urban Institute.
- Hofheimer, George, Ryan Foss, Adam Lee, and Corlinda Wooden. 2018. *Reaching Minority Households Incubator*. Madison, WI: Filene.
- Inclusiv. 2018. *Individual Taxpayer Identification Number (ITIN) Lending: Implementation Guide*. New York: Inclusiv.
- OIG (Office of Inspector General). 2013. "Safety and Soundness: In-Depth Review of Second Federal Savings and Loan Association of Chicago." Washington, DC: US Department of the Treasury, OIG.
- Olson, Nina E. 2012. "The IRS's Handling of ITIN Applications Imposes an Onerous Burden on ITIN Applicants, Discourages Compliance, and Negatively Affects the IRS's Ability to Detect and Deter Fraud." In *National Taxpayer Advocate: 2012 Annual Report to Congress*, 154–79. Washington, DC: Internal Revenue Service, Taxpayer Advocate Service Office.
- Paulson, Anna, Audrey Singer, Robin Newberger, and Jeremy Smith. 2006. *Financial Access for Immigrants: Lessons from Diverse Perspectives*. Chicago: Federal Reserve Bank of Chicago; Washington, DC: Brookings Institution.
- Sifre, Emma. 2021. "ITIN Filer Data Gap: How Changing Laws, Lack of Data Disaggregation Limit Inclusive Tax Policy." Washington, DC: Institute on Taxation and Economic Policy.
- Smeraski, Jaimie, Julie Aguilar, Alejandro Becerra, Krystle Talbot, Alex Ferguson, and Jovana Campos. n.d. *2022 State of Hispanic Homeownership Report*. San Diego: National Association of Hispanic Real Estate Professionals.
- Zinn, Amalie, Michael Neal, Luisa Godinez-Puig, and Vanessa G. Perry. 2023. "Trust Me, I'm a Bank: What We Know and Don't Know about Trust, Banking Relationships, and Access to Financial Services." Washington, DC: Urban Institute.
- Zinn, Amalie, Janneke Ratcliffe, and Noerena Limón. 2023. *Priorities for Advancing Latino Homeownership: A Research Agenda*. Washington, DC: Urban Institute.

## About the Authors

**Laurie Goodman** is an Institute fellow and the founder of the Housing Finance Policy Center at the Urban Institute. The center provides policymakers data-driven analyses of housing finance policy issues they can depend on for relevance, accuracy, and independence. Before joining Urban, Goodman spent 30 years as an analyst and research department manager at several Wall Street firms. From 2008 to 2013, she was a senior managing director at Amherst Securities Group LP, a boutique broker-dealer specializing in securitized products, where her strategy effort became known for its analysis of housing policy issues. From 1993 to 2008, Goodman was head of global fixed income research and manager of US securitized products research at UBS and predecessor firms, which were ranked first by *Institutional Investor* for 11 straight years. Before that, she held research and portfolio management positions at several Wall Street firms. She began her career as a senior economist at the Federal Reserve Bank of New York. Goodman was inducted into the Fixed Income Analysts Hall of Fame in 2009. Goodman serves on the board of directors of MFA Financial and Arch Capital Group Ltd. and is a consultant to the Amherst Group. She has published more than 200 journal articles and has coauthored and coedited five books. Goodman has a BA in mathematics from the University of Pennsylvania and an AM and PhD in economics from Stanford University.

**Aniket Mehrotra** is a policy assistant in the Housing Finance Policy Center, where he advances the policy implications of the center's research to government and industry stakeholders. Before joining Urban, Mehrotra supported local, state, and national policy efforts to increase economic mobility and close the racial wealth gap, including at Prosperity Now. There, he coauthored a high-impact report amplified nationwide to state and local policymakers and economic equity advocates, uplifting inclusionary zoning programs as a critical tool to close the racial wealth gap. Mehrotra graduated from the University of California, Santa Barbara, with a BA in economics and minor in poverty, inequality, and social justice.

**Amalie Zinn** is a research analyst in the Housing Finance Policy Center. Before joining Urban, she interned for the Consumer Financial Protection Bureau, where she researched racial differences in mortgage denial rates across the United States. Zinn was also a research assistant for the Center for Healthy Minds' Mindful Policing project—a research initiative that investigated the effects of mindfulness on police officer stress levels—during which she spearheaded a cost-benefit analysis of the mindfulness training program. Zinn graduated Phi Beta Kappa from the University of Wisconsin–Madison with a BA in economics and French and a minor in public policy.

# Acknowledgments

This brief was funded by UnidosUS as part of their Home Ownership Means Equity (HOME) initiative. UnidosUS is a nonprofit, nonpartisan organization that serves as the nation’s largest Hispanic civil rights and advocacy organization. UnidosUS seeks to transform the economic trajectory of Latino families by advancing systemic change to create 4 million new Latino homeowners by 2030 through the HOME Initiative. For additional information, visit [unidosus.org/homeownership](https://unidosus.org/homeownership). We are grateful to them and to all our funders, who make it possible for Urban to advance its mission.

The views expressed are those of the authors and should not be attributed to the Urban Institute, its trustees, or its funders. Funders do not determine research findings or the insights and recommendations of Urban experts. Further information on the Urban Institute’s funding principles is available at [urban.org/fundingprinciples](https://urban.org/fundingprinciples).

The authors are grateful for the time and insights of the organizations and individuals with whom we spoke in developing this report: Ahmed Campbell (Inclusiv); Angel M. Duke (New American Funding); Brighton Park Neighborhood Council; Caroline Isern, senior vice president for multicultural lending (New American Funding); Cathy Semans; Diane Sandoval-Griego (Guadalupe Credit Union); Gabriela Luna, director of housing programs (Tejano Center for Community Concerns); Jason Madiedo (Panorama Mortgage Group LLC); Kenia Calderón Cerón (GreenState Credit Union); Mike Loftin (Homewise); Nicole Cabañez, Sarah Mancini, and Alys Cohen (National Consumer Law Center); Noerena Limón (Mariposa Strategies LLC); Patricia Garcia Duarte (Chicanos Por La Causa Inc.); Renee Miller and Michael Metz (VIP Mortgage Inc.); Rey Garcia, executive vice president for strategic growth (Texas National Bank); Rithm Capital; Scott Kim (HomeSight); Stephanie Murphy, executive director (Neighborhood Finance Corporation); Valerie V. Cardenas, executive vice president for mortgage services (Texas National Bank); Visionary Home Builders of California Inc. The authors also express their appreciation to David Hinson for his editorial review.



500 L'Enfant Plaza SW  
Washington, DC 20024  
[www.urban.org](https://www.urban.org)

## ABOUT THE URBAN INSTITUTE

The Urban Institute is a nonprofit research organization that provides data and evidence to help advance upward mobility and equity. We are a trusted source for changemakers who seek to strengthen decisionmaking, create inclusive economic growth, and improve the well-being of families and communities. For more than 50 years, Urban has delivered facts that inspire solutions—and this remains our charge today.

Copyright © February 2024. Urban Institute. Permission is granted for reproduction of this file, with attribution to the Urban Institute.