

2011



# STATE OF HISPANIC HOMEOWNERSHIP



# About NAHREP

The National Association of Hispanic Real Estate Professionals (NAHREP) is a non-profit 501c6 trade association with 20,000 members in 48 states across the nation. The San Diego-based organization has 50 affiliate chapters in: Arizona, California, District of Columbia, Georgia, Florida, Illinois, Nevada, Texas, New Mexico, New Jersey, New York, Pennsylvania, Utah and Washington.

Founded in 1999 by veteran real estate professionals Ernie Reyes and Gary Acosta, NAHREP's mission is to increase Hispanic homeownership rates by empowering the advisors that serve them. Specifically, this is accomplished in a variety of ways by providing members a networking and information forum along with educational tools that enable them to work effectively with the cultural distinctions of their clients.

NAHREP members work in virtually all segments of the housing industry and are real estate agents, brokers, loan officers, mortgage brokers, title officers, escrow officers, appraisers, insurance agents and more. NAHREP members are from diverse backgrounds as membership is not limited to professionals of Hispanic descent.

A board of directors and advisory and executive committees govern NAHREP and include highly successful practitioners, entrepreneurs, former government appointed officials and industry leaders from Fortune 100 companies.

For more information about the National Association of Hispanic Real Estate Professionals, go to [www.nahrep.org](http://www.nahrep.org).



## About the Report

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The 2011 State of Hispanic Homeownership Report is an analysis of data about the population growth, birth rate patterns, household formation, educational achievements and workforce profile of the Hispanic community as key indicators of homeownership in the United States. The report examines the demographic patterns that shape the home-buyer market and documents the rise of Hispanics as a mega buying force.

Primary data sources include the 2010 Census, the 2011 Third Quarter Census, The 2011 Fannie Mae National Housing Survey, Pew Hispanic Center, The State of the Nation's Housing 2011 by the Joint Center for Housing Studies of Harvard University and independent studies published by The Center for Responsible Lending, the Brookings Institution, Neighbor Works and the National Council of La Raza.

Gary Acosta, NAHREP co-founder and a recognized minority real estate housing leader, contributed to the report. Mary Mancera, a senior communications consultant and advisor to NAHREP since 2004, wrote the executive summary and managed the report's production. Senior Housing Researcher and Author Alejandro Becerra and his team of Emilio Abarca and Cristina Bryan researched the data, wrote and copy edited the draft.

[www.nahrep.org](http://www.nahrep.org)  
5414 Oberlin Drive #230 San Diego, CA 92121



# **The 2011 State of Hispanic Homeownership Report**

Alejandro Becerra

March 2012

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### **OPPORTUNITIES**

#### **The Emergence of a Hispanic Homebuyer Mega Market**

Much has been written about the culture shift that is under way in our nation as the Hispanic population rises to become a dominant force in American life. As a major driver of the national birth rate, household formation and the U.S. workforce, Latinos are emerging as a consumer powerhouse that is reshaping the market. In the housing sector, which is in its sixth year of an epic foreclosure crisis, the story of Hispanic impact began with record homeownership growth from 2000-2006 that was upstaged by disproportionate losses in the foreclosure crisis. Today the untold story is the collective forces that are crystallizing into a trend with Latinos taking center stage as a mega force in housing. The following is an analysis of key indicators that have been identified over the past year that illustrate this trend.

Since its inception in 1999, the National Association of Hispanic Real Estate Professionals has predicted the era of the Hispanic homebuyer, pointing to immigration patterns, birth rates, household formation and desire for homeownership as signs of the coming wave. Today Hispanics are the pivotal engine of U.S. population growth. By the end of 2010, the Hispanic community surpassed 50 million and accounted for more than half the decade's overall U.S. growth. One out of every six persons in the U.S. is Hispanic. Over the next 10 years, Hispanics are expected to account for 40 percent of the estimated 12 million net new households, with minorities comprising 70 percent of total growth.

Over the past decade, many of the largest U.S. cities would have declined without the buying power of Latinos. Hispanics alone drove the population growth of Phoenix, Philadelphia, Indianapolis, Omaha and Atlanta, making their presence a compelling element in the economic strength of these metro areas. San Antonio, Fort Worth and El Paso, Texas along with Raleigh and Charlotte, North Carolina also owe much of their population growth to Hispanics during the past 10 years.

Without this population surge, the economic development of key regions in the U.S. would have been stunted. In fact, parts of the country that fail to attract newcomers are now in peril of losing population, vibrancy and an economic base. Cities in the industrial Midwest stand to benefit from the presence of Hispanic workers who can help revitalize their economies. Much of this trend can be attributed to Hispanics' mobility and willingness to move to new areas for employment opportunities and a more affordable cost of living.

Hispanics are already a significant segment of the workforce. The role of Latinos in the nation's labor force in the manufacturing, construction, real estate and service industries is both monumental and crucial. For well over a decade, Hispanics have also had the highest labor force participation in the nation. Currently, 66.7 percent of all working-age Latinos are employed, nearly three percentage points higher than the rest of the U.S. population. Case in point: Latinos filled 1.4 million or 60 percent of the 2.3 million jobs added to the economy in 2011.

This strong work ethic, often combined with a vibrant entrepreneurial spirit, adds up to major consumerism. The Hispanic market made up over 50 percent of real growth in the U.S. consumer economy from 2005 to 2008, with \$52 billion in new spending. Hispanic purchasing power reached \$1.1 trillion in 2011 and is expected to grow by nearly 50 percent to \$1.6 trillion by 2016, outpacing the buying power of the general population.

Hispanics are also beginning to drive growth in housing demand. During the third quarter of 2011, Hispanic homeownership rose to a rate of 47.6 percent, growing by 288,000 units, accounting for more than half of the total growth in homeownership (53 percent) in the nation during that period, driving it to its highest level with 6.5 million homeowners. At the same time, Black homeownership grew by 190,000 units while Asian homeownership increased by 66,000 units. In contrast, homeownership growth among non-Hispanic White households grew by only 18,000 units.

This trend went unreported in the Census update following the third quarter 2011 as it only pertains to home purchases in that one quarter. Yet, during the past decade and despite the substantial losses suffered during the foreclosure crisis, overall Hispanic homeownership increased from 45.7 percent to 47.3 percent, rising more sharply than overall minority homeownership, which rose from 47.4 to 48.0 percent according to 2010 Census figures. This is relative to the exponential effect that is beginning to take place as new buyers, who were largely unaffected by the housing crisis, enter the market and begin to offset the losses at a faster rate with their home purchases. In time, the real story of Hispanic homeownership will not be the community's overall rate of homeownership but the actual number of housing units it buys as the rate of household growth accelerates.

In this equation, Latino attitudes about homeownership are – and will continue to be – an important key indicator in this housing trend. National housing surveys indicate that Latinos are more motivated than the general population to buy a home for both emotional and financial reasons. Today, almost two in three Hispanic renters have high aspirations for owning a home. As the job market improves and young Hispanics move into peak household formation years, they will move from the rental market to homes of their own.

Another key indicator in this scenario is higher educational achievements among Latinos. Hispanics are now the second-largest racial or ethnic group of young adults in America's colleges. According to the U.S. Census, the number of young Latinos in college has doubled since 2000 and jumped 24 percent (349,000) between 2009 and 2010 compared with a decrease of 320,000 among young non-Hispanic Whites.

Additionally, the number of young Latinos completing high school jumped 13 percent to 73 percent, up from 60 percent in 2000. Higher levels of education translate into higher earning power, more purchasing power in the marketplace, increased mobility and a greater propensity for homeownership.

### CHALLENGES

#### **The Impact of Foreclosures on Latinos**

The foreclosure crisis has had a devastating impact on the Hispanic community, causing more than 1.3 million households to lose their homes. As a direct consequence of foreclosure, the median wealth of Hispanics fell 66 percent, the largest decrease for any racial or ethnic group in the country. In effect, it offset the real homeownership gains made by Hispanics in recent years prior to the crisis. These losses were well documented in the 2010 State of Hispanic Homeownership Report. This report does not delve deeply into this area again, but rather focuses on the key observations we feel are setting the stage for the market to come. In this context, we believe that the exponential forces of population growth, employment and income gains, purchasing power and desire of an emerging Hispanic mega market have potential to supersede this painful chapter. This will take some time, however, before this trend shifts while foreclosures are still occurring and young householders are still renting.

#### **Reforms That Can Do More Harm Than Good**

In the political climate of over-correction that exists in Washington today, proposed rules and regulations threaten to increase the cost of home buying and put homeownership out of reach for working families in America. The Qualified Residential Mortgage (QRM) rule – with its proposed threshold of mandatory 20 percent downpayments for borrowers who do not meet specific guidelines – will have a negative impact on first-time homebuyers and their ability to buy. NAHREP joined other industry groups and nonprofit advocates in voicing opposition to the adoption of this counterproductive policy.

Partisan bickering in Congress also threatens to make housing a sacrificial lamb in federal budget deficit negotiations. In the last-minute negotiations to get the payroll tax cut implemented last December, new fees were imposed on all Freddie Mac and Fannie Mae loans in an effort to recoup the tax income elsewhere. These new “taxes,” albeit temporary for the moment, will get passed on to homebuyers in the form of new fees. For underserved Hispanic homebuyers, any type of rule, regulation or tax that increases homeownership costs will constitute a new barrier. Any measures that work against new buyers will thwart the housing recovery.

#### **Investor Competition for Affordably Priced Housing Stock**

Five years of an unprecedented foreclosure crisis have produced record low housing prices and mortgage interest rates. Competition from cash investors and homes in disrepair that do not meet lender criteria for financing has created an unfair disadvantage for first-time homebuyers who want to get into the market. Sound, fully qualified borrowers have returned to the sidelines empty-handed after months of fruitless competition with investors even when in many cases owner occupants are willing to pay more than investors.

Meanwhile increased pressure from servicers for quicker closings has led to an increase in non-owner occupant transactions. The long-term consequence of this trend is renter-dominated communities, particularly in minority markets. While various federal “first look” programs have attempted to create access to bank real estate owned (REO) listings for first-time homebuyers, these efforts have often been thwarted by poor property conditions that do not meet lender-financing requirements. Until servicers repair more homes to lendable property standards, first-time homebuyers will be limited in their ability to buy foreclosures. This, of course, impacts neighborhoods and communities that stand to benefit from owner occupancy through tax revenue and retail purchases.

## OUTLOOK

### National Economic Conditions

In 2011, the nation’s economic fate was largely subjected to the political brinkmanship among lawmakers in Washington D.C. There is no evidence to suggest this gridlock will change in a presidential election year. The creation of new jobs has been – and will remain – a primary factor in the nation’s economic recovery. The state of the housing market will also continue to be a key force in stabilizing the economy.



The nation has achieved 23 months of consecutive job gains, unemployment has dropped to 8.3 percent, the stock market has surged, consumer spending is up and the American automobile industry has rebounded. On the housing front, house purchase payments match income levels more closely than ever before. The interest rate for a 30-year fixed loan dipped to a record-low level of 3.88 percent in early 2012. Some economists predict prices to bottom out by the end of year. The number of delinquent household loans has plunged from a peak of close to 35 million in early 2009 to less than 25 million. Finally, household growth in both younger and older households is expected to lift the demand for housing, especially for smaller homes. While many baby boomers are expected to age in place, current mobility rates suggest that 3.8 million baby boomers could downsize over the coming decade, adding further to the demand for compact, lower-cost homes.



### The Latino Homebuyer Mega Market

Hispanics constitute a major percentage of the echo boomer first-time buyer market, by virtue of age, household formation and desire to own a home. National housing surveys affirm that Latinos aspire to become homeowners in spite of uncertainty over jobs and the general economy. Polls also show that Latinos are more motivated than the general population to buy a home for both emotional and financial reasons. In fact, almost two in three Hispanic renters have high aspirations for owning a home. An unrelenting drive to succeed combined with strong family values and larger family sizes fuel their yearning for a place to call home.

Since the first-time homebuyer market mainly depends on the age profile of the population, over the next several decades Latino and Asian homebuyers will make up a big segment of the housing market. Hispanics are expected to account for 40 percent, or 4.8 million, of the estimated 12 million net new households within the next 10 years. Both groups are expected to propel the demand for condominiums, smaller starter homes and first trade-up homes over the next 15 years.

As the job market improves and the housing market stabilizes, many young Hispanics will venture away from their parents' homes and set up households in rental units or homes of their own. By then, homes that were converted to rentals during the housing crisis may quickly revert to the for-sale market.

### Conclusion

The era of the Hispanic homebuyer is upon us. Thanks to youth, rapid population growth, rate of household formation, income and education gains and high desire, Latinos are poised to have an exponential impact on housing and the U.S. marketplace. Accommodating this mega segment of new buyers will benefit the U.S. economy, provide local economic stimulus in areas that have been broadly impacted by the foreclosure crisis and create new jobs. Creating an environment that welcomes first-time homebuyers will set the nation on an upward trajectory that revitalizes the market.

The National Association of Hispanic Real Estate Professionals provides an analysis here of current data on the Hispanic consumer segment, the housing market, public policy and other forces that affect first-time homebuyers. NAHREP's assessment includes policy recommendations and anecdotal insights and observations from its 20,000 members that come from tracking this minority segment since the association's inception in 1999.

According to Fannie Mae's 2011 National Housing Survey, 55 percent of Hispanics said they expect their financial situations to get better over the next year, compared to 39 percent of all Americans. Fannie Mae's survey also showed that for Hispanics, concerns over jobs or job security (22 percent), income (21 percent), credit history (19 percent), and having enough for a down payment (16 percent) remain the top obstacles to buying a home.



### Key Observations

- In 2011, Hispanic purchasing power was estimated to be \$1.1 trillion, and is continuing to escalate steeply, far outstripping the buying power growth of the general population. It is expected to grow by nearly 50 percent to \$1.6 trillion in 2016.
- **Population Driver:** The Hispanic population expanded 3.5 times between 1980 and 2010. Since 1980, more than two in five (44 percent) persons added to the U.S. population have been Hispanic. From 2000 to 2009, Whites experienced 1.1 births for every 1.0 death, while Hispanics experienced 8.9 births for every death, implying a sizeable widening of the growth rates between the two major population groups. Because of such population increase, Hispanics were responsible for most of the overall population growth in the country over the past decade. This continued population trend is expected to provide a strong labor pool, a driving force in the economy, and an increasingly key market for homeownership.
- **Education:** From 2009 to 2010, the number of Hispanic young adults enrolled in college grew by 349,000 (a remarkable increase of 24 percent), compared with a decrease of 320,000 young non-Hispanic Whites. In 2010, 73 percent of young Hispanics completed high school, up from 60 percent in 2000, and 32 percent of young Hispanics were enrolled in college, up from 22 percent in 2000.
- **Homeownership:** The U.S. homeownership rate rose to 66.3 percent in the third quarter of 2011 (from 65.9 percent in the second quarter) due mainly to a surge in minority homeownership. Hispanic homeownership alone grew by 288,000 units, accounting for more than half the total growth in homeownership in the United States. Over the past eleven years, the number of Hispanic owner-occupied housing units grew by nearly 50 percent, increasing from 4.25 million units in 2000 to 6.3 million units in 2011. Over this time period, Hispanics accounted for 36 percent of all additional owner-occupied units in the U.S.
- **Mobility:** Hispanics are mobile and willing to relocate where employment is available. Consequently, they are having a positive economic impact on regions where they settle. Over the past decade, many of the largest cities in the U.S. would have declined economically without the influx of Hispanics. Hispanics alone drove the population growth of Philadelphia, Phoenix, Indianapolis, Omaha, and Atlanta, and comprised the greatest component of population increases in San Antonio, Fort Worth, and El Paso, and Raleigh and Charlotte, North Carolina.
- **Desire for Homeownership:** National housing surveys continue to demonstrate that Hispanics strongly aspire to become homeowners in spite of uncertainty over jobs and the general economy. The surveys show that Latinos are more motivated than the general population to buy a home for both emotional and financial reasons. The surveys also show that almost two in three Hispanic renters maintain high aspirations for owning a home.
- **Consumerism: The Hispanic market made up over 50 percent of real growth in the U.S. consumer economy from 2005 to 2008.** During that time span, the \$52 billion in new Hispanic spending outpaced the \$40 billion in new spending by non-Hispanics, with Hispanic consumer spending increasing by 6.4 percent while non-Hispanic spending increased by only 2.9 percent.

• **Labor Force:** For well over a decade, Hispanics have also had the highest labor force participation in the country. Currently, 66.7 percent of all working-age Latinos are employed, nearly three percentage points higher than the rest of the U.S. population. Of the 2.3 million jobs added to the economy in 2011, 1.4 million, or 60 percent, were filled by Latinos. By 2025, Hispanics are expected to make up 50 percent of all entrants into the labor market.

## POLICY RECOMMENDATIONS

- 1 Improved Access To Affordable Mortgage Finance:** Government support of a mortgage market system that includes FHA, VA, USDA, Fannie Mae and Freddie Mac and/or new GSE-like entities;
- 2 No Increased Fees:** No new taxes, fees (or elimination of the mortgage interest deduction) that would increase the cost of affordable housing;
- 3 Increased Supplier Diversity:** Appropriate budget support for supplier diversity initiatives included in the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Housing and Economic Recovery Act. Increased diversity in the financial services sector, senior management hires and real estate service providers is essential in the future minority-dominant marketplace;
- 4 Improved Management of Distressed Real Estate:** Support of distressed property management strategies that help responsible homeowners, favor owner-occupant buyers, promote lease-to-own REO rental options and fast-track short sale transactions through servicer incentives;
- 5 Sensible Immigration Reforms:** Commonsense immigration reforms that protect our borders, create a pathway to legal residency or citizenship for individuals who have lived and worked in the U.S. for some time, preserve the nation's labor pool, provide a route to citizenship for children of undocumented individuals, and end the climate of hate and intolerance directed at the Latino community.
- 6 Financial Education For Mortgages:** Support for financial education and counseling programs that promote financial literacy among mortgagors.

# State of Hispanic Homeownership

## Hispanics as the Engine of US Population Change and Economic Progress

### Engine of US Population Change and Economic Progress

By the end of 2010, the Hispanic community surpassed 50 million in population and accounted for more than half the decade's overall U.S. growth. Hispanics not only make up the bulk of immigrants to America but also constitute a youthful population that has more children, and lives nearly three years longer than non-Hispanic Whites. Such burgeoning growth is having major implications for the widening of the population growth rates between Hispanics and non-Hispanic Whites now and in the future. Hispanic population growth is also transforming many of America's largest cities, adding to their economic strength and vitality.<sup>1</sup>

Today, one out of every six persons in the U.S. is Hispanic. In 1980, there were 14.6 million Hispanics in the country, but by 2010, the population had more than tripled to 50.5 million. Just in terms of age status, immigration growth, and natural population increase, Hispanics have become a major influence across the nation's economic, social, and political fronts.<sup>2</sup> Such influence is expected to grow exponentially over time. Today, three out of four Latinos and nine out of 10 who are under the age of 18 are U.S. citizens.

Hispanics work hard and smart and spend more of their earnings than does the rest of the population. More important, Hispanics are also increasingly becoming an integral part of American life in the Midwest and the South and are a major driver of the nation's economic growth and financial stability. Moreover, a younger and better educated Hispanic population will soon be playing an increasingly critical role in the United States economy.

Hispanics are already a growing presence in the workforce, helping to maintain high levels of productivity. They also comprise a burgeoning consumer market due to their demographic growth and economic progress. In 2011, Hispanic purchasing power was estimated to be \$1.1 trillion, and is continuing to escalate steeply, far outstripping the buying power growth of the general population. Hispanic purchasing power is expected to grow by nearly 50 percent to \$1.6 trillion in 2016.<sup>3</sup> Overall, the role of Hispanics in the nation's economy as workers in the manufacturing, construction, real estate and service industries, and as consumers and taxpayers is both monumental and crucial.

Hispanics are a hard working demographic and spend a greater percentage of their earnings than does the rest of the population. Hispanics are also increasingly becoming an investment force, with Latino entrepreneurs leading the way in the creation of new businesses and jobs. As Hispanics continue their outward migration in the U.S. and attain higher levels of income and education, the earnings derived from their labor, their entrepreneurial endeavors, and their role in running and managing corporations and public agencies are expected to stimulate profound changes in American life.<sup>4</sup>

### Highlights of Latino Population Growth and Progress

- The Hispanic population expanded 3.5 times between 1980 and 2010. Since 1980, more than two in five (44 percent) persons added to the U.S. population have been Hispanic.
- In 2007, the fertility rate of Hispanics was 3.0 (versus 1.9 for Whites). As of 2010, Hispanics outlived Whites by 2.6 years and Blacks by 5.4 years.

"The U.S. housing finance system has a mandate to focus on the significant demographic changes that will shape homeownership growth within the next several years. New household growth will be substantially greater for Hispanics than for any other demographic group in the country. The need to recognize the most critical variables in housing type, price range, affordability, and mortgage product terms will be critical for all housing stakeholders -- from lenders and realtors to policy makers -- in order to ensure that the homeownership needs of Hispanics and other Americans are met."

- David Stevens, President and CEO,  
Mortgage Bankers Association January 25, 2012

# State of Hispanic Homeownership

## Hispanics as the Engine of US Population Change and Economic Progress

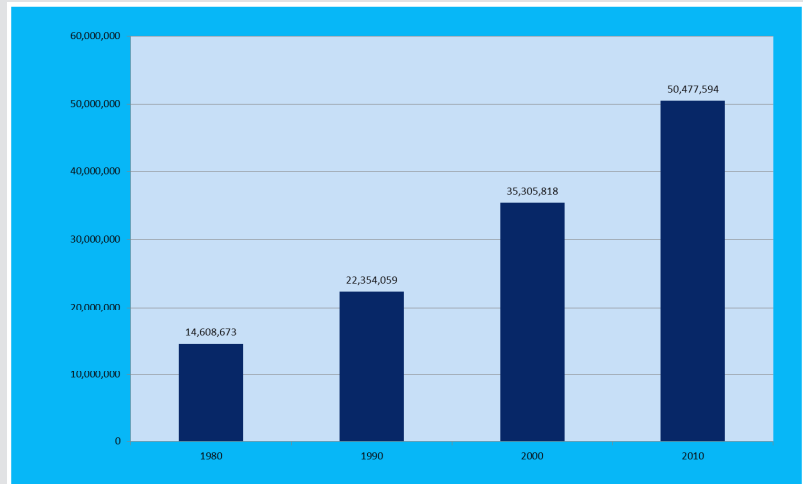
From 2000 to 2009, Whites experienced 1.1 births for every 1.0 death, while Hispanics experienced 8.9 births for every death, implying a sizeable widening of the growth rates between the two major population groups. Because of such population increase, Hispanics were responsible for most of the overall population growth in the country over the past decade.

- Due largely to Latino immigration, a youthful population, and higher birth rate, the U.S. is better off than most industrialized countries when it comes to the aging of its population. Today, there are 4.7 working-age Americans for every one of retirement age, compared, for example, with only 2.8 in Japan. A youthful, hard-working population is vital to the creation of jobs that can sufficiently increase the nation's aggregate demand for goods and services. Increasing immigration also grows a nation's economy by generating more consumption and jobs, and creating a multitude of new businesses. By 2025, Hispanics will comprise half of all entrants into the labor market.

- The population of young Hispanic college students has more than doubled since 2000. More than sheer population growth, rising educational attainment is driving this trend. From 2009 to 2010, the number of Hispanic young adults enrolled in college grew by 349,000 (a remarkable increase of 24 percent), compared with a decrease of 320,000 young non-Hispanic Whites. In 2010, 73 percent of young Hispanics completed high school, up from 60 percent in 2000, and 32 percent of young Hispanics were enrolled in college, up from 22 percent in 2000. Coincidentally, a recent study shows that young Latino immigrants are about two times more likely to attend college and one-and-a-half times more likely to graduate from college when their parents own their homes compared to those whose parents do not own their homes.<sup>5</sup>

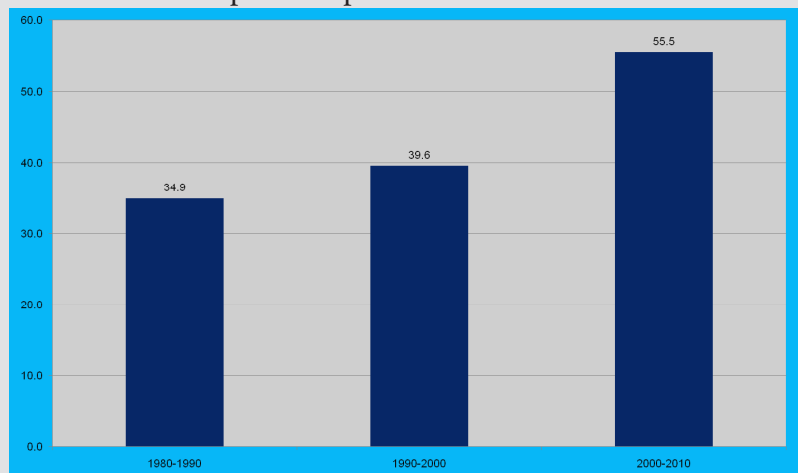
- The U.S. homeownership rate rose to 66.3 percent in the third quarter of 2011 (from 65.9 percent in the second quarter) due mainly to a surge in minority homeownership. Hispanic homeownership alone grew by 288,000 units, accounting for more than half the total growth in homeownership in the United States. During the past decade, Hispanic homeownership increased from 45.7 percent to 47.3 percent, rising more sharply than overall minority homeownership.

**Figure 1.** Hispanic Population 1980 to 2010



Source: Rogelio Saenz, University of Texas at San Antonio

**Figure 2.** Percentage of US Population Growth Due to Hispanic Population Growth



Source: Rogelio Saenz, University of Texas at San Antonio

# State of Hispanic Homeownership

## A Population on the Move

### Hispanic Mobility

The last decade saw a vast movement of Hispanics away from Latino stronghold states where they have predominantly lived including: Arizona, California, Colorado, Florida, Illinois, New Mexico, New Jersey, New York and Texas. In 2000, 81 percent of Hispanics lived in those nine states. By 2010, however, only 76 percent lived there. Among these states, Florida experienced the largest increase, 57 percent, while the other eight states had less than 50 percent growth. In contrast, 35 states had a greater rate of Hispanic growth than any of the nine largest Hispanic states.<sup>6</sup>

By 2010, Hispanics were migrating everywhere across the nation. The largest Hispanic population growth occurred in the South – South Carolina (148 percent), Alabama (144 percent), Tennessee, (134 percent), Kentucky (122 percent), Arkansas (114 percent), North Carolina (111 percent), Maryland (107 percent), and Mississippi (106 percent). Because Hispanics are a youthful population, they are more willing to pick up stakes and move to other states and even within the same state or locality. They are also willing to move away from the cities into the suburbs or into counties near major metropolitan areas where the cost of living is less. This trend is in line with a majority of the Hispanic population that is native-born, English-dominant, middle-class, entrepreneurial, and well integrated into America's cultural life.<sup>7</sup>

According to the U.S. Census, one out of every four children in America is Hispanic with 92 percent of those children being U.S. citizens. This population trend is expected to provide a strong labor pool, a driving force in the economy, and an increasingly key market for homeownership. **Given this burgeoning population growth, most industry experts predict that by 2020, 80 percent of all new homebuyers will be minority or immigrants, with Hispanics comprising the largest segment of buyers (40 percent).**

Latinos (especially immigrants) are also upwardly mobile. Over the last 10 years, for example, the rate of Hispanic homeownership in the state of Oregon surged 9 percent, from 37 percent to 40.2 percent, even as Oregon homeownership rates dipped during the same time span. Indeed, at the turn of the 21st century, Latino immigrants dominated population growth in Oregon. They were primarily younger, home-renting newcomers. A decade later, their communities were more established, more educated, and more financially stable, with hundreds of Latino families pooling resources to buy their own homes. Many of these Latino homebuyers were assisted by organizations like Portland's fledgling Latino Home Initiative, whose objective is to move Latinos from renters to buyers through education, downpayment assistance, and appropriate loan products.<sup>8</sup>

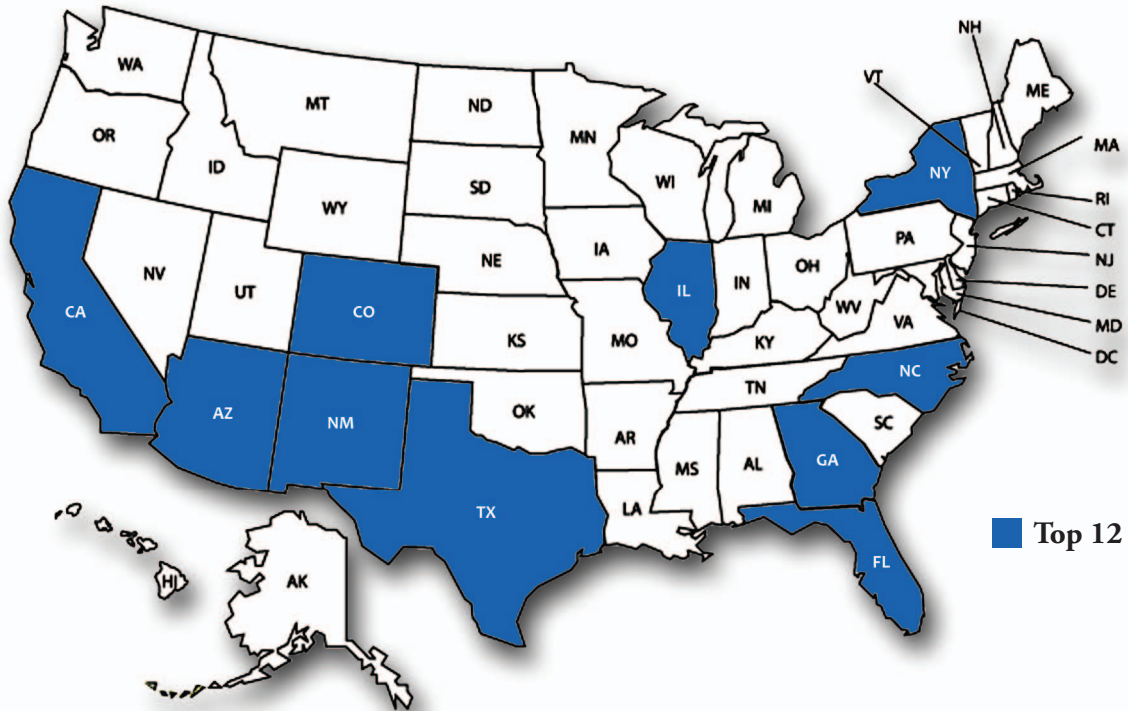
According to Nikole Hannah-Jones, a reporter for *The Oregonian*, the tendency of young Latino households to pool their incomes may have buffered them against the worst of the housing crisis. Mirroring Latinos in other parts of the country, many Latinos in Oregon had less home equity to tap and were able to avoid the kind of loans that caused others to lose their homes. More wage earners also meant a typical Latino household could still make the mortgage payment if one of its members lost a job. Such attributes, including a more youthful population that can move more easily geographically and upwardly, help account for Hispanic unemployment reaching a low of 10.5 percent in January 2012, and bode well for the future growth of Hispanic homeownership.



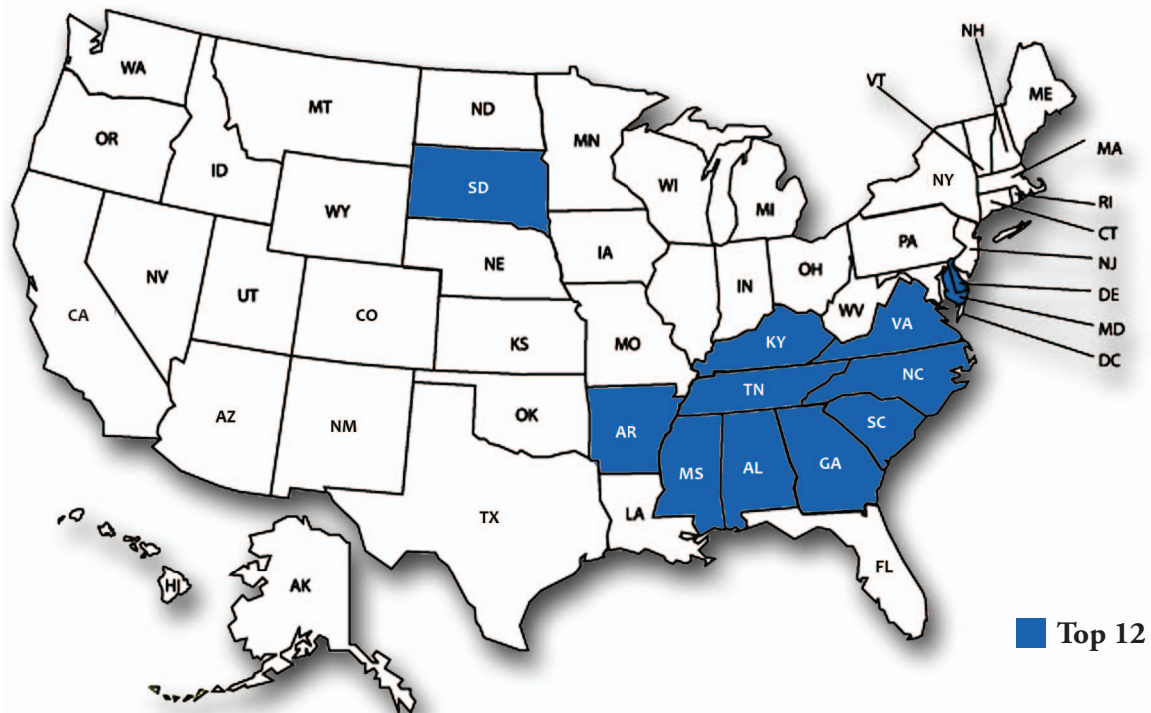
# State of Hispanic Homeownership

## A Population on the Move

**Figure 3.** Twelve States with Largest Hispanic Populations, 2010



**Figure 4.** Twelve States with Highest Percentages of Latino Growth, 2000-2010



### The Latino Homeownership Market Potential

A prolonged recession and high levels of unemployment have plagued the nation's economy over the past five years. Hispanics, however, continue to demonstrate strong capacity to become successful homeowners:

- **Hispanics are the largest minority group in the nation, heavily represented in the age group (26 to 46) that is involved in most home sales.** Latinos accounted for more than half the growth in the country over the last decade. Young Latinos and Generation X adults, those between the ages of 31 to 45, who are seeking to become first-time homeowners, are expected to lead the recovery in the housing market. Because of more home purchases by the younger and larger Hispanic population, Hispanic homeownership increased from 46.0 percent to 47.5 percent during the past decade, rising more sharply than total minority and non-Hispanic White homeownership.

- **Latinos are moving to nearly every part of the country in search of better jobs and affordable housing in spite of being hampered by loss of jobs and homes in some major metropolitan areas.** Over the past decade, the largest Hispanic population growth has occurred in the South, where Hispanic population growth has exceeded 100 percent in most southern states, going as high as 134 percent in Tennessee, 144 percent in Alabama, and 148 percent in South Carolina. Hispanics are also moving into the suburbs or into counties near major metropolitan areas where living costs are lower.

Because of their mobility, Latinos bring new life into economically-distressed areas, reviving decaying commercial districts, and rejuvenating rundown neighborhoods, small towns, and rural areas. Such mobility has enabled more Latinos to buy homes and succeed economically. Through their strong work ethic and entrepreneurial spirit, Latinos continue to contribute to long-term economic growth, supplying labor during moments of expansion and accounting increasingly for an expanding number of widely diverse businesses, especially in the wholesale, construction, automotive, and finance sectors. According to the Department of Labor, of the 2.3 million jobs added in 2011, 1.4 million, or 60 percent, were filled by Latinos. Over the past two years, Latinos accounted for 50 percent of all new jobs added to the economy.

- **Hispanics are now the second-largest racial or ethnic group of young adults in America's colleges.** In 2010, the percentage of young Hispanics completing high school reached 73 percent, up from 60 percent in 2000, while the rate of young Hispanics enrolled in college rose from 13 percent in 1972 to 27 percent in 2009, to 32 percent in 2010. Attaining a higher level of education is crucial for Latinos since each successive higher degree of education they attain represents tens of thousands of dollars more in annual income earned.

“Hispanic and other first-time homebuyer groups can play an integral role in forging a turn-around if we let them. If we make it easier -- not harder -- for gainfully employed, credit-worthy homebuyers to buy a home now, we can begin to move the glut of unsold homes and to rebuild neighborhoods. The tide can shift with housing as a catalyst. . . We must not lose sight of the fact that the choices we make today will shape the social and economic opportunities of an entire generation. This much is certain: Without homeownership in the equation, working-class families will not have a financial legacy to leave their children . . .

- Carmen Mercado, President of NAHREP



- **The average household income of Hispanics grew by 26 percent between 1985 and 2009.** Contributing to this income growth are gains in education and professional jobs and the increased number of Latino women working, Hispanics' high level of participation in the labor force (68 percent), and their penchant for working extra hours, holding more than one job, and having multiple wage earners in a household. In 2010, 40 percent of Hispanic households earned over \$50,000 a year and more than 12 percent earned over \$100,000 a year. According to the Pew Hispanic Center, there are now nearly 1.6 million Hispanic households who earn more than \$100,000 per year. Over the past decade, Hispanic households who earn more than \$100,000 per year grew by 125 percent to 3.7 million. In Washington, DC, Maryland, and Virginia nearly one in every four Latino households earns more than \$100,000 a year.

Between 2000 and 2010, the number of upscale Latino households (earning more than \$75,000 per year) more than doubled from 1.3 million to 2.9 million, and grew three times faster than the number of non-Latino upscale consumer households. Upscale Latino households currently account for only 21% of all Latino households but now generate 51% of their aggregate income.

With buying power that is expected to reach \$680 billion in 2016, upscale Latinos have a substantial impact on marketing and sales success in the Latino market. For example, they account for two-thirds of all Latinos who annually spend \$1,000 or more online.<sup>9</sup>

- **An estimated three million Hispanic businesses are generating \$420 billion in sales annually and are expected to reach \$539 billion by 2012. The Hispanic business sector has grown 114 percent over the last five years.** Among all population groups, the entrepreneurial activity of Latinos increased the most between 2009 and 2010, with the growth rate of Latino businesses increasing from 46 percent to 56 percent. Today, one out of every 20 businesses in the U.S. is owned by Hispanics.

- **Hispanic purchasing power increased from \$258 billion in 1985 to \$1.1 trillion in 2011.** The compound annual growth rate of Latino purchasing power for the period of 1980 through 2006 was 5.8 percent, which was more than two times larger than the growth in overall U.S. purchasing power for the same time period. This trend continued over the past decade when the buying power of Latinos again more than doubled (108 percent versus 52 percent for U.S.). U.S. Hispanic buying power is projected to grow 48 percent to \$1.6 trillion between 2011 and 2016.

- **The Hispanic market made up over 50 percent of real growth in the U.S. consumer economy from 2005 to 2008.** During that time span, the \$52 billion in new Hispanic spending outpaced the \$40 billion in new spending by non-Hispanics, with Hispanic consumer spending increasing by 6.4 percent while non-Hispanic spending increased by only 2.9 percent.

The strength and wide appeal of the Hispanic market have been fully evident throughout the country. For example, *La Gran Plaza*, a shopping center that had long teetered on life support in Fort Worth, Texas, was converted into one of the nation's largest malls with a "plaza" that was architecturally designed to cater to Hispanic shoppers. The 1.1 million-square-foot mall has become the town square of Hispanics, where they feel at home surrounded by their music, food, and special attractions, including *mariachi* bands, a Cinema Latino movie complex, a night club, and even a lounge area where men in particular can watch soccer and other sport events.

According to the mall's owner, Jose de Jesus Legaspi, Hispanic families tend to have a higher disposable income because they are larger, work more in the informal economy, and most family members work. As a result, the mall has been highly successful. National chains have reported sales in excess of \$400 per square foot, with a Latino-themed supermarket alone reporting annual sales in excess of \$24 million.

# State of Hispanic Homeownership

## The Market Potential of Hispanics for Homeownership

• **The national rate of homeownership rose to 66.3 percent in the third quarter of 2011 due largely to a spike in minority homeownership. Hispanic homeownership rose to a rate of 47.6 percent, growing by 288,000 units, and accounting for more than half the total growth in homeownership in the United States.** At the same time, Black homeownership grew by 190,000 units, while Asian homeownership increased by 66,000. In comparison, homeownership growth among non-Hispanic White households increased by only 18,000 units.

From 2000 to 2011, 5.9 million owner-occupied units were added in the U.S. Of these, nearly 2.1 million were acquired by Hispanics, compared to 3.8 million units acquired by the rest of the population. The total growth in homeownership units during this time period represents a solid 49.3 percent increase, or an average annual increase of 3.8 percent. In comparison, the total growth in homeownership units among the rest of the U.S. population represents a 5.8 percent increase, or an average annual increase of only 0.5 percent.

The persistent growth of Hispanic homeownership even in the midst of a lagging economy underscores a basic reality: First-time minority homebuyers, led by the population growth and purchasing power of Hispanics, are the key to America's housing and economic recovery. By the end of 2011, the strong homeownership aspirations of Hispanics resulted in homeownership gains that began to make up for the losses they sustained during the housing crisis. However, it will take some time for these gains to translate into a higher rate of homeownership as foreclosures continue to adversely affect Latinos and a rapidly growing and young Hispanic population will necessarily be creating more renter households than planting roots in homeownership.

**Table 1. Homeownership Percentage Rates by Race/Ethnicity**

Year	All Households	White Non-Hispanic	Hispanics	Black	Asian/Other
1994	64	70	41.2	42.5	50.8
1995	64.7	70.9	42.0	42.9	51.5
1996	65.4	71.7	42.8	44.5	51.5
1997	65.7	72	43.3	45.4	53.3
1998	66.3	72.6	44.7	46.1	53.7
1999	66.8	73.2	45.5	46.7	54.1
2000	67.4	74.0	46.0	47.2	54.3
2001	67.8	74.3	47.3	48.4	54.7
2002	67.9	74.7	47	48.2	55.0
2003	68.3	75.4	46.7	48.8	56.9
2004	69	76	48.1	49.7	59.7
2005	68.9	75.8	49.5	48.8	60.3
2006	68.8	75.8	49.7	48.4	60.8
2007	68.1	75.2	49.7	47.8	60.1
2008	67.8	75.0	49.1	47.9	59.5
2009	67.4	74.8	48.4	46.6	59.0
2010	66.9	74.4	47.5	45.9	58.2
2011	66.1	73.8	46.9	45.4	58.0

*Sources: State of the Nation's Housing 2011, Joint Center for Housing Studies, Harvard University and Current Population Survey, US Census Bureau*

# State of Hispanic Homeownership

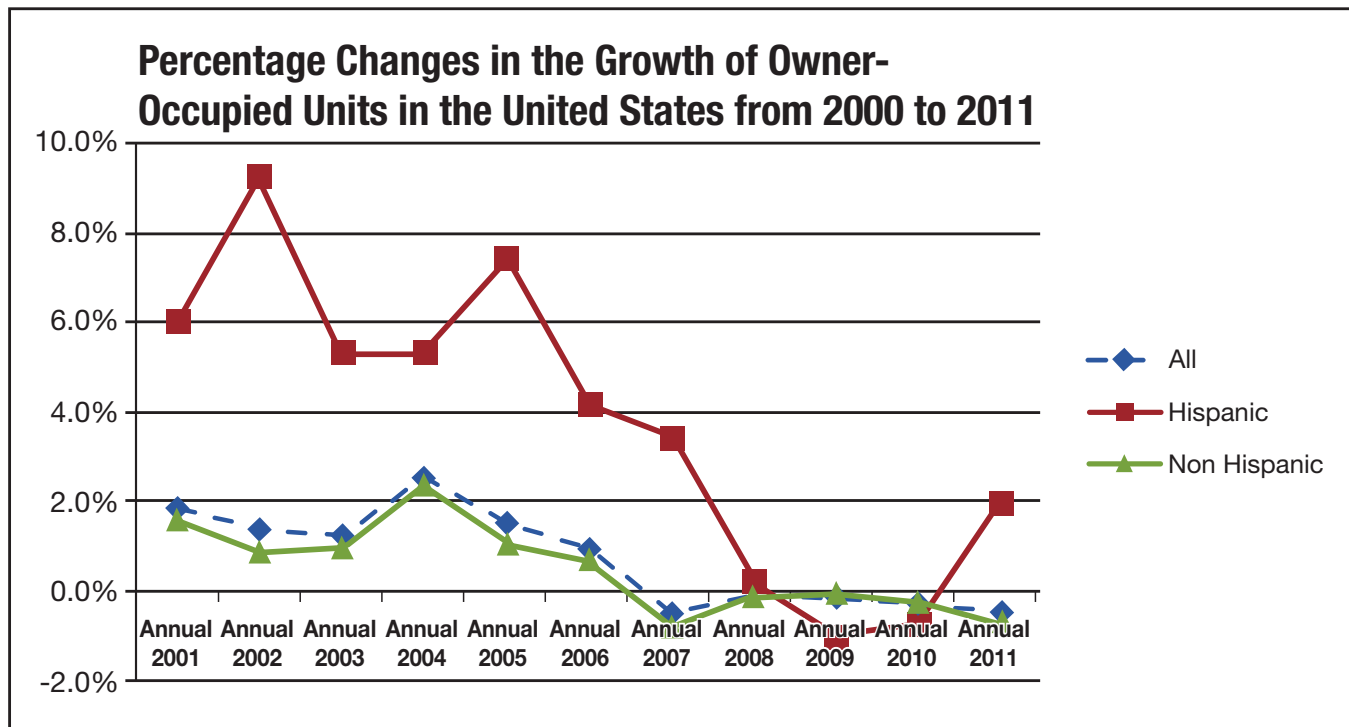
## The Market Potential of Hispanics for Homeownership

**Table 2. U.S. Owner Households by Race and Ethnicity**

Ownership Households	All	Hispanic	Non Hispanic	Change Rate Year-over-Year Ownership Households	All	Hispanic	Non Hispanic
Annual 2000	69,223	4,242	64,981	Annual 2001	1.9%	6.0%	1.6%
Annual 2001	70,529	4,497	66,032	Annual 2002	1.4%	9.2%	0.9%
Annual 2002	71,517	4,912	66,605	Annual 2003	1.3%	5.3%	1.0%
Annual 2003	72,427	5,172	67,255	Annual 2004	2.6%	5.3%	2.3%
Annual 2004	74,275	5,448	68,827	Annual 2005	1.5%	7.4%	1.1%
Annual 2005	75,411	5,852	69,559	Annual 2006	1.0%	4.2%	0.7%
Annual 2006	76,131	6,095	70,036	Annual 2007	-0.4%	3.4%	-0.8%
Annual 2007	75,793	6,303	69,490	Annual 2008	-0.1%	0.2%	-0.1%
Annual 2008	75,725	6,319	69,406	Annual 2009	-0.1%	-1.0%	0.0%
Annual 2009	75,635	6,253	69,382	Annual 2010	-0.3%	-0.7%	-0.2%
Annual 2010	75,445	6,211	69,234	Annual 2011	-0.5%	2.0%	-0.7%
Annual 2011	75,091	6,334	68,757				

Units are in Thousands | Source: US Census Bureau

**Figure 5. Growth in Owner-Occupied Units in the U.S.**



Source: US Census Bureau

### Latino Views on Homeownership

For Latinos, homeownership represents a highly motivating source of pride and accomplishment. It provides the means to accumulate wealth and enhances a family's capacity to achieve higher levels of education and income.

Homeownership also embodies the promise of greater control over one's living environment, and provides the basis for positive social and economic outcomes, including stability, security, and improved neighborhood amenities.

In particular, 85 percent of Latinos consider a home of one's own a good place for raising children and providing them with a good education.

Latinos also consider homeownership a reliable, long-term savings vehicle, and the primary source of wealth to pass along to their children. They consider home equity an excellent source to borrow against in order to send their children to college, start businesses, and supplement retirement. Homeownership also vastly expands the economy as its multiplier effects rebound benefits to the manufacturing, construction, real estate, financial, and service industries. According to the National Association of Realtors, every home purchase pumps more than \$60,000 into the economy for furniture, home improvements, and related items.

Fannie Mae's national housing survey currently shows that two in three Hispanic renters still aspire to become homeowners over the long-term. The survey shows that Hispanics are more motivated than the general population to buy a home for both emotional and financial reasons.

Strong family values, larger family sizes, and an unrelenting drive to succeed compel Latinos by a wide margin to yearn for a place to call home. Although many consumers currently worry about having sufficient credit and income to buy a home and fear that homeownership costs too much, a majority of Latinos continue to prefer owning a home and are convinced that today's historically low home prices and interest rates provide a unique buying opportunity.

### Fannie Mae 2011 National Housing Survey

- 32 percent of Hispanics expect homeownership will be more readily accessible in the future, compared to only 20 percent of all Americans.
- 55 percent of Hispanics say they expect their financial situations to get better over the next year, compared to 39 percent of all Americans.

### When asked to give a major reason to buy a home:

- 56 percent of Hispanics consider owning a home a symbol of success or achievement compared to only 32 percent of all Americans.
- 68 percent of Hispanics are more likely to think buying a home provides a good financial opportunity, compared to 57 percent of all Americans.
- 73 percent of Hispanics say that owning a home is a good way to build up wealth that can be passed along to their families, compared to 57 percent of all Americans.

“... An improving economy leads to a surge in home purchases, which leads to more construction, which strengthens the economy further, and so on. And if you squint hard at recent data, it looks as if something like that may be starting: home sales are up, unemployment claims are down, and builders' confidence is rising.”

- *Paul Krugman, Economist, Nobel Prize Winner, January 22, 2012*

### However,

- 35 percent of Hispanics say they are not confident they would get the right information they need to get the right mortgage today, compared to 20 percent of all Americans.
- Only 57 percent of Hispanics say they agree it is a good time to buy, compared to 68 percent of all Americans.
- More Hispanics (70 percent) say that getting a mortgage today would be more difficult, compared to 54 percent of all Americans.
- 68 percent of Hispanic homeowners say they are making a financial sacrifice to own a home, compared to 56 percent of all American homeowners.
- More Hispanic renters (87 percent) say that owning a home represents a potential financial sacrifice, compared to 82 percent of all American renters.
- 59 percent of Hispanics say that owning a home is a safe investment, compared to 64 percent of all Americans.
- Fewer Hispanics (84 percent) say they are satisfied with their current mortgage, compared to 91 percent of all Americans.
- More Hispanics (16 percent) say it would be okay to stop paying a mortgage if they were underwater, compared to 10 percent of all Americans.
- 21 percent of Hispanics say it would be okay to stop paying a mortgage if they were facing economic stress, compared to 18 percent of all Americans.
- For Hispanics, concerns over jobs or job security (22 percent), income (21 percent), credit history (19 percent), and having enough for a downpayment (16 percent) remain the top obstacles to buying a home.



### **The Challenges Ahead**

For Latino borrowers seeking to trade-up, the obstacles aren't unlike other segments of the population, including negative equity in their existing homes, difficulty in selling them, and an increased concern over declining house values. For Latinos seeking to re-enter the market, many must first repair their credit, overcome their fears of unemployment and foreclosure, and build up enough savings to buy a home. Many other fears and insecurities also abound among prospective homebuyers: anxiety over making wrong choices and trying to determine what is the best time to buy, insecurity over not having adequate health care insurance and retirement income, and concern over having enough income to cover the costs of buying, financing, and maintaining a home over the long-term.

In summary, foreclosures, high unemployment and underwater mortgages are dampening housing demand among all ethnicities. Home prices have fallen about 33 percent since the housing crisis began, reducing household wealth by more than \$7 trillion. All of these issues are even more pronounced in states like California, Nevada, Arizona and Florida where Hispanic populations are among the highest in the country. Additionally, with distressed sales pushing down prices, many would-be homebuyers are either waiting for better deals, are stalled by stiff credit requirements, or are being beaten to buying the homes they want by cash buyers whose purchases comprised a record-high share of 33 percent of all home purchases in 2011.<sup>12</sup> By November 2011, the number of first-time homebuyers had fallen to 35 percent of the market, slightly below the 40 percent level in a typical market.

### **The Impact of Disposition Strategies on Latino Communities**

With home affordability at an all-time high, owner-occupant buyers who have the means and the desire to enter the homebuyer market have had an increasingly difficult time purchasing REO properties. A recent study by New Vista Management examined buyers in 18 U.S. counties hit hardest by America's mortgage crisis.

Of the 18 counties reviewed, 16 have Hispanic populations in excess of 20 percent of the overall population in the area. The study found that between January 2009 and September 2011, the percentage of REO homes sold to owner-occupant buyers broadly decreased in almost every county analyzed. In Los Angeles County, California, for example, 79 percent of single-family REO houses were purchased by owner occupants in 2009, compared with only 60 percent in the third quarter of 2011. Most counties covered by the study saw declines of more than five percentage points during the same period.

According to the New Vista study, only one county (Wayne County, Michigan) had an owner-occupancy rate for single-family REO sales below 50 percent in 2009. By the third quarter of 2011, owner-occupancy rates for REO sales in an additional four of the studied counties had fallen below 50 percent, including Maricopa County, Arizona; Osceola County, Florida; Miami-Dade County, Florida; and Clark County, Nevada.

While the study did not cite any specific reasons for the decrease in owner-occupant REO sales, property condition and an increased desire for quicker sales on the part of the lender/servicer are the most likely reasons. The significant drop in owner-occupant purchases of REO properties in these hard hit markets has been compounded by decreased access to credit and a failure to repair foreclosed properties to move-in condition. Perhaps even more alarming is that in every market examined by New Vista, investor purchases were sold for substantially less than similar homes sold to owner occupants, adding to the downward pressure on property values in those regions.

In 2012 and beyond, bulk sales, drop-bid foreclosure auctions, and REO to rental programs are likely to move more REO sales away from owner occupants and out of the reach of local real estate professionals. REO properties sold to owner occupants help stabilize communities. It is essential that lenders, nonprofits and government agencies can work together to give qualified homebuyers a fair chance to purchase REO properties whenever possible.

“How Latinos mature, what schools they go to and how they do in the labor market will have implications for us all in this century. A quarter of all children are Hispanic, and in the future they will make up a greater share of the nation’s workforce.”

- *Mark Hugo Lopez, 2011 Pew Hispanic Center Report on Poverty among Hispanic Children*

The echo boomers are the largest generation ever to reach their 20s in the United States, due largely to the rapid population growth of Latinos. Born in 1986 and later, these young adults are now entering their peak household formation years. However, household growth shut down recently when a large number of these echo boomers began delaying setting out on their own, and the growth in Latino immigrant households stalled. Due to these trends, household growth during the last three years averaged only about 500,000 per year, less than half the 1.2 million annual pace averaged during the first seven years of the 21st century.<sup>10</sup>

The most significant challenges to homeownership today include: the high levels of unemployment, the large number of homes with mortgages underwater, and the new mortgage credit environment which generally requires larger downpayments, more income, and higher credit scores. FHA-insured mortgage programs, which are renowned for their low downpayment provisions and consistently successful loan performance, have also tightened credit requirements and raised costs. Due to these more stringent credit standards, many Latino creditworthy families who would have qualified before for well-structured and well-underwritten mortgage loans stand to lose a golden opportunity to make their dreams of homeownership come true.

Because of language barriers and other cultural nuances, first-time Latino homebuyers often have limited access to credible information about the home buying process including mortgage loan qualifications, downpayment requirements and homeownership assistance programs.

### **Anti-Immigrant Sentiment**

NAHREP’s 2010 State of Hispanic Homeownership report highlighted the crucial role that immigrants play in stimulating economic growth, increasing consumption, and creating new jobs and businesses. The wages of immigrants increase tax revenues, help finance Social Security, stimulate demand for housing, and generally improve business prospects and activity throughout the economy.

Overall, immigrants, including unauthorized immigrants, fill gaps in American labor markets and create jobs through their purchasing power and entrepreneurship, buying food, clothes, appliances, cars and other goods and services from U.S. businesses and creating their own businesses, both of which sustain U.S. jobs. Businesses, in turn, respond to the presence of new workers and consumers by investing in new restaurants, stores, and production facilities. Historically, the result has been more jobs for more workers, leading to an expansion of productive capacity and increases in tax revenue, all of which help fuel the nation’s economy.

However, a number of state government anti-immigrant laws now threaten to cause substantial declines in population, jobs, and homeownership among thousands of Latinos.

In 2008, the U.S. Department of Homeland Security found that more than 100,000 unauthorized immigrants had left Arizona largely as a result of the state's employer-sanctions law passed in 2007. Since then, about 50,000 unauthorized immigrants have been deported from Arizona, a state in which Latinos make up nearly 30 percent of its total population. The enforcement of highly discriminatory laws in Arizona are causing more Latinos, regardless of immigration status, to flee the state, further aggravating the state's labor challenges and undermining a housing recovery.

### **The Long-Lasting Impact of Foreclosures on Hispanics**

Over the past eleven years, the number of Hispanic owner-occupied housing units grew by nearly 50 percent, increasing from 4.25 million units in 2000 to 6.3 million units in 2011. Over this time period, Hispanics accounted for 36 percent of all additional owner-occupied units in the U.S.

After 2003, however, the overall homeownership gains Latinos had made virtually vanished. Latinos were disproportionately affected by the housing crisis primarily because Latinos all too often were steered to sub-prime mortgages to purchase or refinance their home. Since 2007, Latino unemployment has averaged about 12 percent and about 1.3 million Latino homeowners have lost their homes or are at imminent risk of foreclosure. According to a 2011 study by the Center for Responsible Lending, the rate of completed foreclosures on loans originating between 2004 and 2008 was 11.9 percent for Latinos.<sup>13</sup>

The Pew Research Center reported last year that the median household wealth of Hispanics fell from \$18,400 in 2005 to \$6,300 in 2009, a decrease of 66 percent, which was the largest for any racial or ethnic group in the country. At the same time, the median value of the home equity of Hispanics dropped by more than 50 percent, from \$100,000 to \$49,000. Because Hispanics derived a greater portion of their net worth from home equity (65 percent in 2005) and many of them worked in the construction industry or lived in states that experienced the biggest declines in home values, their overall wealth was disproportionately impacted by the housing meltdown.<sup>14</sup>

Beyond absolute losses in wealth, jobs, and homes, the housing crisis has caused enormous trauma in the lives of thousands of Latinos. According to Janet Murguía, President and CEO of the National Council of La Raza (NCLR), "The loss of homes sent families on a path of parental discord, disrupted children's education and caused behavioral problems and affected the mental health of children and parents alike. Not surprisingly, family budgets were decimated." Although many Latinos were able to tap into their extended family resources and close friends for assistance to prevent homelessness, millions of them today are still weathering dire economic conditions and wondering how they will retire or afford to send their children to college.



A major study conducted by NCLR in 2009 found that primarily as a result of their loss of jobs and income during the economic crisis and the higher-cost and toxic nonprime loans many of them had received, Latino families who were the victims of foreclosures have:

- Endured multiple moves and cramped living conditions before securing permanent shelter, which has led to a huge sense of instability and emotional strain within families.
- Considered separating or separated, felt guilty about their economic situation, and saw their children's academic performance and behavior at school impacted significantly.
- Depleted their contingency funds or resorted to public benefits, often skimped on needed medical care to save funds, and borrowed money from friends or payday loan purveyors.
- Received no significant assistance to avoid foreclosure from their financial institutions. Even when families reached out to lenders, none was offered a sustainable forbearance, workout or loan modification. Worse, some families noted lost paperwork, payments applied to fees rather than arrears, and general unresponsiveness from their servicers, all contributing factors to their foreclosures and a great source of anxiety and frustration. They suffered an average loss of \$89,000, leaving them with no safety net to cope with financial emergencies, and adversely impacting their plans to help their children with expenses such as education or to buy them a car for going to work or college.<sup>15</sup>

Such overall dismal results were inevitable. During the peak of the housing boom, Latino borrowers, even after controlling for income, were about 30 percent more likely to receive higher-cost nonprime loans than similarly-situated non-Hispanic White borrowers. As a result of largely unfettered lenders targeting Latino borrowers with costly and risky loans, Latinos were also more than twice as likely to have lost their homes to foreclosure as non-Hispanic White borrowers.<sup>16</sup> Worse, Latino borrowers with a credit score of over 660 (indicating good credit) received a high rate interest loan more than three times as often as White borrowers.<sup>17</sup> Overall, neighborhoods in parts of the country heavily populated by Latino and low-and moderate-income residents were hit especially hard by the foreclosure crisis. In contrast, Latino moderate-and middle-income homeowners were most adversely impacted by foreclosures in the “boost and bust” housing markets in Nevada, Arizona, California, and Florida.<sup>18</sup>

Homeownership has long been considered the cornerstone of the American dream. For Latinos, homeownership has also constituted the first step towards accumulating wealth and becoming an integral part of the middle class. The rising tide of foreclosures, however, has brutally curtailed the economic progress of the victims of foreclosure and wreaked havoc with their health and mental stability, especially of children and young people whose behavior, cognitive development, and academic performance have been seriously impaired.

Because of foreclosures, many Latino families who had long relied on tapping their home equity to pay for higher education, to be able to retire, or to start a new business can no longer do so. Worse, thousands of them have lost the financial cushion they had to counter unexpected financial hardships, including loss of employment and medical expenses. Finally, distressed communities beset by foreclosures have lost tax revenue, have incurred the heavy costs of abandoned properties and neighborhood blight, and have been forced to reduce or eliminate vital public services, including police and fire protection as well as health services.<sup>19</sup>

### **Credit Counseling and Foreclosure Avoidance**

In the effort to reduce foreclosures for Latinos and non-Latinos, counseling efforts uniquely stand out as an efficient use of resources that focuses on assisting prospective homeowners to qualify for a mortgage, apply successfully, and succeed as homeowners. Today, many housing counselors have mortgage origination and foreclosure prevention experience, and are able to provide thorough and objective pre- and post-purchase information, advice, and guidance.

According to a recent Urban Institute study, approximately 800,000 borrowers who received foreclosure counseling through a HUD-approved NeighborWorks America counseling program were twice as likely to receive a loan modification. These distressed borrowers were at least 67 percent more likely to remain current within nine months of receiving a modification. They also had their payment reduced by an average of \$176 per month. The Urban Institute's analysis attributed the reduced re-default rate of homeowners largely to the impacts of counseling, including helping borrowers improve their financial management skills, assisting them in managing relationships with servicers/investors, and providing other types of support.<sup>20</sup>

A year ago, HUD-certified housing counseling agencies also helped nearly 470,000 delinquent borrowers avoid foreclosure, preventing approximately \$28 billion in damage to the economy and noticeably reducing lender and servicer losses.<sup>21</sup> NAHREP supports full restoration of the program. Ultimately, many housing experts maintain that the nation will be unable to improve economically until the foreclosure debacle is fully behind us and the housing sector is bolstered.

### Baby Boomers To Downsize, Lead Housing Shift

As baby boomer homeowners downsize and echo-boomers come of age, immigrants and minorities unquestionably represent America's new demographic majority of homeowners. According to Harvard's Joint Center for Housing Studies, the aging of the baby boomers (born 1946-65) is projected to boost the number of households over age 65 by some 8.7 million by 2020, a 35 percent increase from 2010. In 2007, one in three heads of households aged 65-74 had moved in the previous ten years, many to smaller homes. If the older baby boomers approximate this mobility rate, some 3.8 million are expected to downsize their homes over the next ten years, lifting the demand for smaller units.<sup>22</sup>

"Given the vital role of homeownership in generating household wealth, white-minority gaps in homeownership rates are a public policy concern. A major stumbling block for minority households is that they have significantly lower wealth than white households. . . . Attaining homeownership is important not only for individual minority families, but also for the market as a whole -- especially as the minority share of the population continues to increase."

- *The State of the Nation's Housing 2011 Joint Center for Housing Studies of Harvard University*

The buyers of the homes vacated by baby boomers are most likely to be first- and second-generation immigrants and minority first-time homebuyers. They are poised to begin buying these highly suitable homes just when such purchases are most needed to bring about the recovery of housing. With thousands of these new homeowners also buying smaller and less expensive homes and possessing strong upward mobility in housing, they will constitute a base of demand that will eventually push every other homebuyer up. A year ago, first-time homebuyers represented 50 percent of all homebuyers, married couples comprised 48 percent of first-time homebuyers, and single female buyers made up 23 percent of first-time homebuyers.

Baby boomers, including Latinos and a growing number of pre-boomer households over age 75, are expected to search for smaller housing units and better communities to live in. Many baby boomers will also be moving to areas in the South and West and other geographic areas that meet their retirement needs. They will be looking to live near family members, including their offspring and grandchildren, as well as close to the services and amenities they need in order to live comfortably and satisfyingly.

The location of homes for all future homebuyers is expected to depend largely on the great re-urbanization that is taking place in economically thriving central cities and in suburban areas that are being redeveloped. Many of these new homebuyers will be seeking to live in new or revitalized suburban town centers or thriving downtown plazas that promote strolling, convenient shopping, and enjoyable cultural and entertainment amenities. Retiring baby boomers, including Hispanics, will be looking to live in mixed-age and mixed-use communities in largely urban settings.<sup>23</sup>

Overall, the number of households under age 35 is expected to grow to nearly 27 million by 2020. By then, minorities will account for seven out of ten of the estimated 11.8 million net new households, with Hispanics contributing 40 percent of the increase.<sup>24</sup> Currently, prospective young Hispanic homebuyers who were unaffected by the subprime crisis are demonstrating a strong eagerness to own a home, and they represent a sizeable market. Once the job market improves and the housing market stabilizes, an increasing number of young Hispanics will be venturing away from their parents' home and beginning to set up housekeeping in a rental unit or home of their own. When the economy picks up again and young people are able to achieve greater economic mobility, homes that switched from owner-occupied to for-rent during the housing crisis may quickly revert to the for-sale market.

### **The Echo Boomers Generation**

Echo boomers or Generation Y individuals and families are generally in their late teens to early thirties, and make up over 83 million of the U.S. population. They are a generation that is income- and job-constrained, handicapped substantially by the economic recession. Although echo boomers are a bigger population group than the baby boomers, they are expected to live more modestly and to delay forming households as a result of chronic unemployment and economic uncertainty. In the short term, they are expected to rent by necessity or by choice, even though Latino and other minority echo boomers continue to display high aspirations for homeownership.

On the positive side, more echo boomer women than men are now in colleges and universities. These young women are earning 60 percent of the master's degrees and beginning to dominate the workforce, thus helping to secure a better future for themselves and future generations. Most echo boomers also exhibit a high desire to succeed even though they continue to confront economic adversity. Many of these young adults are now living with their parents or doubling up with others. Once they find jobs, however, they are expected to move into the housing market in large numbers, creating new and substantial demand.

Echo boomers want to live mainly in urban areas. They want to be near each other, to services, and to places close to their jobs. They are willing to live in compact housing units in order to afford better lifestyles. Once they have school-age children, they are expected to look to the suburbs for good schools, and may move to the older, less expensive suburbs or to compact suburban town centers even if these are located in the outskirts of new communities that require adequate transportation. To accommodate their needs, builders are expected to offer starter homes in large numbers at affordable prices. Such homes will be compact, erected on small lots, and built economically, yet be well designed, to meet their lifestyle preferences.

### **Conclusions**

Record-low interest rates and home prices are making homeownership more affordable than in several decades, especially for Hispanics who had been stuck living in less affordable areas because of their jobs. In early 2011, Mark Zandi, chief economist at Moody's Analytics, asserted that "based on incomes this is as affordable as it gets."

With inventories of new homes at historic low levels, a turnaround in demand is projected to result soon in tighter markets. The number of younger Latino households is also set to rise sharply over the long-term, supporting growth in the population that provides most first-time homebuyers.<sup>25</sup> Finally, sizable pent-up demand exists as a result of some families doubling up with other households and an increasing number of young adults living with parents, postponing marriage and childbearing, or waiting to attain higher levels of education and income.

Household growth is expected to return to long-term trend levels once higher levels of employment and business investment are attained and immigration growth rates recover. In addition, minorities and immigrants are expected to continue to drive growth in housing demand because of their sheer number, age, and greater propensity to be married with children. Latinos, in particular, are expected to generate demand for condominiums, smaller starter homes, and first trade-up homes. If well-planned investments are made in education, infrastructure and human capital, they will positively impact millions of immigrant and minority families. These major segments of the country's population will then be able to buy an increasing number of both lower-end and higher-priced homes, especially well-built homes that meet the needs of extended families and appeal to their cultural preferences and lifestyles.

Stringent credit conditions and market uncertainty are hindering most personal financial decisions right now, precisely at a time when buying a home is so favorable. In particular, buyers of homes at or near price bottoms stand to gain once price appreciation returns to its historical pace slightly above real income growth.

A silver lining gleams on the horizon: Mortgage loan delinquency levels have continued to decline and the Federal Reserve has resumed the purchase of mortgage-backed securities and is expected to keep short-term interest rates near zero well beyond 2012. By the end of 2011, home sales had also accelerated, corporate and stock market profits surged, the automobile, export, and technological sector remained robust, and household debt continued to decline. By January 2012, the rate of unemployment had dipped to 8.3 percent, its lowest level in three years.

Concurrently, during the third quarter, Hispanic homeownership rose to 47.6 percent, spurring U.S. homeownership growth. In addition, the number of improving housing markets had nearly doubled to 71 in December.<sup>26</sup> By the end of the year, housing starts had increased at a rate of 15 percent, the economy was growing at a rate of nearly 3 percent, and 1.9 million private sector jobs had been created.

For 2012, Fannie Mae expects home sales to increase by 3.5 percent, while Moody's Analytics predicts that existing home sales will rise 12 percent and new home sales will jump 74 percent. Finally, the *Wall Street Journal* is predicting price gains of 30 percent over the following 10 years. All of these trends bode well for the future of U.S. homeownership.

In summary, the late upsurge in manufacturing, construction, jobs, and in automobile, export, and home sales is expected to accelerate economic growth in 2012. Mortgage rates are expected to remain low and lenders to be less rigid. In addition, single-family housing starts are expected to rise by 37 percent.

However, more foreclosed home sales and slow home-buying demand are expected to keep prices soft in many markets, though some economists predict prices to bottom out by the end of the year. Home price appreciation is expected to continue to be uneven geographically, with some markets, especially in parts of Texas, California, and Florida, gaining value, while markets with higher vacancy rates and a large number of distressed sales will experience lower home values.<sup>27</sup> If elected officials can end the political gridlock in Washington and institute viable policies in 2012, the result could well be enhanced consumer confidence, increased private and public investment, the creation of more jobs, and a fast-growing economy.

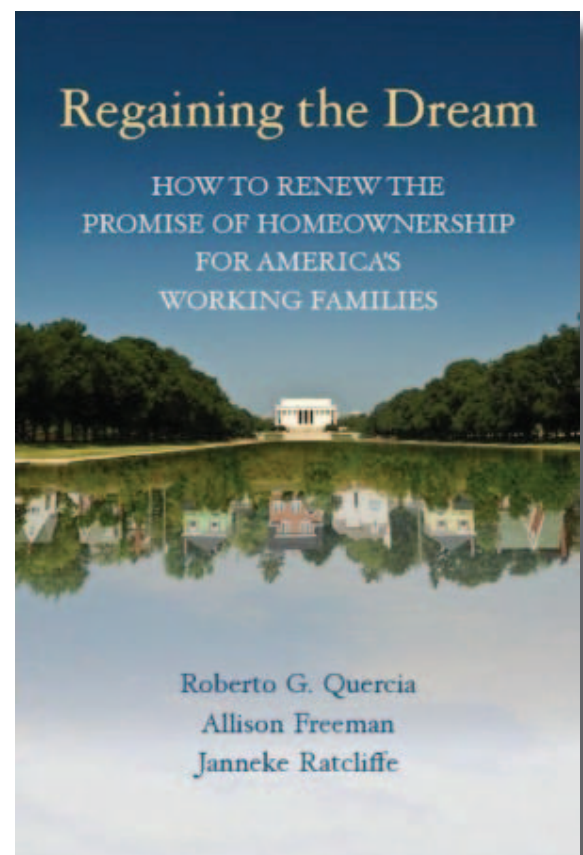
### Buying and Financing a Home the Right Way

Over the past decade, NAHREP has provided ample evidence that Latino homebuyers are capable of achieving sustainable homeownership through the provision of affordable and appropriate loan products. For example, Housing Our Communities (HOC), a nonprofit housing organization in Arizona, continues to assist hundreds of working families through the use of HUD's Voucher Homeownership Program, the Neighborhood Stabilization Program (NSP), the Federal Home Loan Bank's Affordable Housing Goals Program, and other homeownership assistance programs. Of the families HOC serves, 39 percent are Hispanic, 54 percent are minority, and 51 percent are female heads of household. In 2011, HOC created a new homeowner every three days and provided one-on-one counseling to 1,200 families. HOC has experienced only nine foreclosures over its 24-year history.

*Regaining the Dream*, a recent book by Roberto G. Quercia, professor and director of the Center for Community Capital at the University of North Carolina at Chapel Hill, provides additional evidence regarding the success of loans that are sound, affordable, and sustainable. The book documents the experience of thousands of working families who in the decade leading up to the foreclosure crisis obtained traditional 30-year, fixed-rate home loans through the Community Advantage Program (CAP).<sup>28</sup> Quercia found that the successful experience of 46,000 low-income families who received home loans and managed to repay them during the housing crisis proves that safe, sound, and sustainable loans can be made to creditworthy working families. According to Quercia, 95 percent of those borrowers made their payments successfully, despite the deep recession, and experienced median home equity growth of \$23,000.

In the past, these borrowers had been unable to obtain loans from traditional lenders because of their low incomes. In spite of these factors, their successful repayment experience was based on several key elements, including (a) sound fixed-rate mortgages with fair terms and a small downpayment, (b) sensible underwriting that ensured that loans could be repaid, (c) effective loan servicers who worked closely with troubled borrowers, and (d) an ample supply of credit.

U.S. Department of Agriculture's 502 (shared equity) Homeownership Program, FHA loans, and Veteran's Administration's home loan guaranty program are among existing loan programs that also help homebuyers achieve sustainable homeownership. Under VA's home loan program, for example, 91 percent of its borrowers make no downpayment. Its credit standards are flexible, require no mortgage insurance premiums, impose no credit score minimums, and stretch debt-ratio norms when needed to help creditworthy, income-strapped borrowers get into a home.



Because of such flexibility, including the VA's low downpayment requirement, the number of VA mortgage originations over the last three years has tripled. In fact, the VA program has experienced better mortgage performance than FHA and is comparable with some "prime" loan operations that have far more stringent credit rules. The program is remarkable for its reasonable standards, its emphasis on servicing its 1.5 million borrowers effectively, and its industry-leading techniques, including establishing "single point of contact" servicing operations that enable homeowners to deal with only one person about their mortgage issues.<sup>29</sup>

On the other hand, a recent study by the Center for Responsible Lending found that if home buyers were required to come up with a downpayment of 20 percent, it would prevent about 75 percent of African-American, 70 percent of Latino, and 60 percent of non-Hispanic White borrowers from obtaining fairly priced mortgages and achieving sustainable homeownership.<sup>30</sup> Such a rigid requirement could push all of these creditworthy borrowers into high-cost loans or out of the market altogether. Setting a downpayment threshold would also do little to reduce defaults relative to the large number of potentially successful home buyers it would push from the market. The study confirmed that prepayment penalties and lack of income documentation were among the main traits associated with the unsustainable nontraditional subprime loans that have caused a high number of foreclosures in recent years. These findings were deemed most significant because the stalled housing market has been a key obstacle to economic recovery.

Clearly, the new paradigm for responsible lending is to attract well-qualified new homebuyers through targeted marketing and well-thought-out outreach; prepare them for homeownership through training, education, and counseling; provide access to homeownership assistance for eligible borrowers; and help homebuyers achieve long-term homeownership through the use of sustainable mortgage products and responsible and sound underwriting practices.

Many of the qualified new homebuyers will be Latino immigrants and native-born citizens who have long been boosting America's workforce and economy. They serve as key producers of goods and services that grow and sustain the economy, and they are a robust source of tax revenue that helps to preserve Social Security and Medicare benefits, a strong national defense, and public services that are vital to America's future.

### **Supplier Diversity Needed Across Housing Infrastructure**

Since the inception of NAHREP in 1999, Hispanic real estate leaders have maintained that the real estate and financial services sectors must create a diverse, bilingual, culturally sensitive service infrastructure to meet the demands of this mega market of homebuyers. Job losses suffered during the Great Recession have eliminated many of these professionals from the front lines. As the nation's economy recovers, companies will need to fortify their staffs to meet the demand of this mega market.

In recent years, NAHREP has had an influential voice in creating policy that mandates supplier diversity in the real estate and financial services sector, including minorities in leadership and managerial posts. The Dodd-Frank Wall Street Reform and Consumer Protection Act and the Housing and Economic Recovery Act have unprecedented provisions dedicated to supplier diversity including the establishment of an Office of Minority and Women Inclusion at the Federal Housing Finance Agency. This is an important starting point in providing culturally relevant service to this large segment of new homebuyers. In the near term, the hiring of minority real estate agents to list, manage, value and sell bank-owned properties will ensure better outcomes for minority neighborhoods that have been disproportionately impacted by foreclosure.

### NAHREP's Six-Point Plan Recommendations

Latinos constitute a vigorous home-buying force that can lift the housing market out of its long, dark slump. Their burgeoning population growth, robust purchasing power, and strong aspirations for homeownership are beginning to offset the foreclosure losses they suffered in the housing crisis. NAHREP strongly believes that implementation of the following Six-Point Plan will create a sustainable path for homeownership, foster economic growth, and strengthen America's families and communities.

#### I. Protect and Improve Access to Affordable Mortgage Finance

Since the onset of the financial crisis, borrowers have been required to overcome very high credit standards in order to qualify for a home loan. Furthermore, narrow definitions of creditworthiness add to the difficulty for minority and first-time borrowers to get a mortgage. In this environment, government support of the mortgage market provided by the FHA, VA, USDA, Fannie Mae and Freddie Mac (the "GSEs" – government-sponsored enterprises) is critical in providing affordable housing for the Hispanic community.

While the housing market and economy remain weak, we must protect those government programs from efforts to diminish their role in the affordable housing market and look for additional ways to improve access to affordable housing. Congress should take whatever action is necessary to ensure those government institutions have the resources and support necessary to continue their affordable housing activities. We oppose any legislation that eliminates the GSEs, unless they are replaced with other programs that provide the same level of support to the affordable housing market.

In addition, new government regulations should promote, not hinder, the ability of low- and moderate-income borrowers to get a mortgage on affordable terms. For example, the financial regulatory agencies have proposed a definition of "qualified residential mortgage" that requires a minimum 20 percent downpayment.

Many borrowers, especially a large segment of the Hispanic community NAHREP serves, cannot afford such a large downpayment and will be forced into a higher interest rate, non-QRM mortgage loan. Government regulators must fully consider the impact of rules that may adversely impact the affordable housing market.

- NAHREP opposes legislation to eliminate the GSEs without a comparable replacement to support affordable housing
- NAHREP opposes a minimum downpayment for "qualified residential mortgages"
- NAHREP opposes policy that reduces access or increases cost to first-time homebuyers

"... the economic recovery has been disappointing in part because U.S. housing markets remain out of balance. Many local markets have an overhang of empty and foreclosed homes, and many potentially creditworthy homebuyers cannot obtain mortgages. The weak housing market also impairs homeowners' financial health and diminishes the quality and stability of neighborhoods and communities. For these reasons, and because the troubled housing market depresses construction activity and employment, we need to continue to develop and implement policies that will help the housing sector get back on its feet."

- Ben Bernanke, Federal Reserve Chairman  
February 10, 2012



- NAHREP supports loan terms that set reasonable origination fees and downpayments, and establish nonrestrictive debt-to-income requirements and credit standards
- NAHREP supports the establishment of a prudent and sound underwriting framework that ensures the ability to repay of all borrowers and recognizes their unique borrowing characteristics, including having multiple wage earners, documented income from more than one job, and alternative sources for demonstrating credit worthiness

## II. Protect Homeownership and a Housing Recovery from Budget Deals

Fiscal and budgetary issues will be high on the Congressional agenda this year as Congress and the Administration negotiate appropriations bills, tax breaks and ways to reduce the federal deficit. Policymakers will be tempted to look to the housing sector for additional revenue or budget cuts. It is critical to homeowners and the broader housing market that members of Congress resist placing any new taxes on housing or reduce current levels of government support for the still fragile housing market.

For example, in December 2011, Congress passed legislation to extend a payroll tax break for an additional two months. There was opposition in Congress to the measure due to its cost and impact on the federal deficit. Therefore, Congress and the Administration agreed to offset the cost of the tax break by requiring Fannie Mae and Freddie Mac to increase the guarantee fees they charge for the securities they guarantee. The provision requires the Federal Housing Finance Administration (FHFA) to increase the guarantee fees by 10 basis points or more from the average charged in 2011. The increase is passed on to borrowers in the form of higher mortgage rates and fees, and is effectively a tax on borrowers for every new mortgage transaction. Hispanic borrowers are disproportionately impacted by such policies that raise the cost of affordable housing.

These types of revenue-generating measures may solve a budgetary impasse, but they will also cause significant harm to the still declining housing market. Federal Reserve Chairman Bernanke recently stated that before we can have a strong economic recovery, we must first stabilize the housing market. Therefore it is important that Congress not enact any additional taxes on the housing sector. Furthermore, housing market-related tax deductions, such as the mortgage interest deduction, should be protected. If the government chooses to create federal revenue-generating mechanisms that negatively impact housing market recovery, it will lengthen the duration of the housing downturn, suppress economic recovery and disproportionately penalize low- to moderate-income homebuyers.

- NAHREP opposes targeted taxes on mortgage borrowers to resolve budget negotiations
- NAHREP opposes changes to the mortgage interest tax deduction or the mortgage insurance tax deduction

## III. Increase Supplier Diversity in the Real Estate and Financial Industry

Both the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Housing and Economic Recovery Act have unprecedented provisions dedicated to supplier diversity. These provisions require the establishment of an Office of Minority and Women Inclusion at FHFA and the Consumer Financial Protection Bureau (CFPB). These agencies are set up to ensure that minorities and women receive adequate opportunity to work and provide services at banks and the GSEs.

Over the next decade and beyond, minorities will grow to represent the largest segment of new homebuyers nationwide. Minority professionals can greatly enhance the assistance and outreach of financial services to these new consumers. The most successful financial institutions will have a diverse workforce and supplier base that closely reflects the cultural and gender makeup of the customers they serve.

Additionally, the housing crisis has disproportionately affected minority neighborhoods throughout America. The hiring of minority real estate agents to list, manage, value and sell bank-owned properties provides better outcomes for neighborhoods and helps to revitalize some of the hardest hit communities.

- NAHREP supports diversity goals for the GSEs and other financial institutions that correspond with the proportion of minorities in their customer base
- NAHREP urges Congress to ensure that the FHFA and CFPB follow through on their diversity mandates pursuant to Dodd-Frank and HERA. Congress can do this by ensuring that the Offices of Minority and Women Inclusion within these agencies are adequately funded and staffed

#### **IV. Improved Management of the Distressed Real Estate Market**

The housing market will not stabilize until foreclosures are substantially reduced. Refinancing underwater homeowners at today's low interest rates and increasing the number of successful short sales can help avoid more than a million foreclosures in America.

When foreclosure is unavoidable, REO properties should be sold to owner occupants whenever possible. Owner-occupant sales create healthier outcomes for neighborhoods. Qualified owner-occupant buyers are not in short supply in most hard hit markets, but property condition and a motivation for quick sales by the holders of REO properties creates a bias for cash investors. REO properties should be assessed as early as possible for the best and most appropriate disposition strategy. Properties deemed as likely to be sold to an owner occupant should be repaired to "lendable" condition to maximize the number of prospective buyers. Properties deemed as unlikely to be sold to an owner occupant should be sold as quickly as possible, preferably to investors who are committed to repairing and either reselling or renting the property in a manner that supports neighborhood stabilization.

- NAHREP supports President Obama's plan to help responsible homeowners and heal the housing market and encourages Congress to pass the necessary legislation to implement the plan
- NAHREP believes that whenever possible REO properties should be sold to owner occupants and encourages banks and the GSEs to repair REO properties to lendable condition to maximize sales to owner occupants
- NAHREP believes a "first look" policy where only owner occupants can make bids for a period of time should be implemented on all REO sales where an owner-occupant sale is likely and should be in effect for a minimum of 30 days in all markets
- NAHREP urges FHFA to move forward cautiously with the REO to rental program and encourages a path to homeownership, such as a lease-to-own option, be made available to qualified lessors

- NAHREP believes that vacant properties in the foreclosure process undermine neighborhoods and hurt local governments. Therefore, foreclosure moratoriums or legislation that slows the foreclosure process should not apply to vacant properties or non-owner-occupied homes
- NAHREP believes short sales are better for communities than foreclosures and that increased incentives for servicers and occupants are necessary to increase the number of short sales

### V. Sensible Reforms to Federal Immigration Policy

Sensible reforms to federal immigration policy are necessary to meet our labor demands and must provide a realistic solution to the 11 million people living in the U.S. without status or dignity. At 16 percent of the total U.S. population, the Latino community represents a significant part of our overall economy, and is especially critical in states such as California, Florida, Arizona and New Mexico. While immigration reform consistently ranks as a top priority among Latino voters, much of the debate on the subject has focused on polarizing discussions of allowing access at the expense of lawlessness. As is the case with many complex issues, a practical resolution is more complicated than imposing reactionary attrition-based legislation. In Arizona's case, seven percent of its total state population is undocumented. Since the state enacted Senate Bill 1070, Arizona has expelled a significant component of its productive workforce, causing detrimental impact to its economy and aggravating the job and home losses of Latinos.

NAHREP supports resolutions at the federal level, such as the DREAM Act, which meet States' economic needs by allowing for legal employment opportunities which will, in turn, increase tax revenue from millions of workers across the U.S. to the nation's economy. The DREAM Act constructively creates a path to citizenship for children of undocumented individuals, opening the door to legitimate wages, and enhancing the ability to maintain bank accounts and purchase homes. Despite being hit hard by the housing market downturn, three-in-four (75 percent) Latinos agree that buying a home is the best long-term investment a person can make in the U.S. Our current economic imperative compels us to draw upon our collective history to welcome in a willing workforce to meet our labor demands and boost our ailing housing economy.

- NAHREP supports secure borders that reduce illegal immigration
- NAHREP supports a more efficient immigration process that increases legal immigration and helps meet our economy's current and future needs for skilled and unskilled labor
- NAHREP supports a path to legal residency and/or citizenship for law-abiding individuals who have lived and worked in the U.S. for a substantial period of time
- NAHREP supports passage of the DREAM Act



### VI. Support Financial Education and Counseling

Successful homeowners understand and manage their earning and spending habits, their total household debt, and their credit reports and credit scores. Understanding the concept of these financial skills, coupled with the ability to create and implement a simple financial plan, provides predictable, successful outcomes for families of all ages and social-economic levels.

Potential borrowers and new homeowners should have easy access to the information, education tools, and/or counseling necessary to help them fully understand how to be financially responsible. Limiting or excluding access to financial education programs and information leaves some consumers vulnerable to predatory practices during decision making and while attempting to use financial products properly. Conversely, the educated consumer can understand the short and long term impact of their decisions, where and how a financial product is appropriately used to achieve a goal, and when it is detrimental.

To increase the probability of our desired outcome of “sustainable homeownership,” we must continue to provide resources to increase the financial skills of our constituent homeowners.

- NAHREP believes all first-time homebuyers who obtain a mortgage from a government-sponsored or government-insured source should first receive homebuyer education from a qualified non-profit counseling group
- NAHREP supports increasing the federally funded housing counseling budget to \$100 million

Ultimately, government and private sector officials must realize the obvious: **you can't sell to people who don't exist, and people who can't or won't buy goods and services or invest in businesses and human capital cannot spur the economy.** It is the large growing population of Americans, spearheaded by Hispanics, who are now willing to spend to improve their quality of life and to generate jobs and invest in new businesses in order to ensure a prosperous America and a secure future for themselves and their children.

Continued efforts to prevent further losses in American communities, including expanded loan modification and refinance programs that enable borrowers to affordably remain in their homes are a step in the right direction. The government must also give top priority to lowering financing hurdles for thousands of Americans who are ready, willing and able to buy homes. Without these elements in place to stimulate housing demand, home values will not stabilize and communities will not recover. A true housing market solution must embrace potential homebuyers as the engine of housing recovery by restoring responsible competition in the mortgage marketplace to reduce inefficiencies and lending hurdles for qualified borrowers.

In the recent past, homeownership drove the economy, created millions of jobs, and generated millions in wages and tax revenues. More importantly, homeownership has over time played a vital role in providing financial security for millions of Americans. It is up to us to do all that we can to ensure once again that more Americans can realize the American dream and achieve sustainable homeownership. America's future is in our hands. ■

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5414 Oberlin Drive, Suite 230, San Diego, CA 92121  
P 858.622.9046 | F 858.551.9072  
[www.nahrep.org](http://www.nahrep.org)