

# STATE OF HISPANIC HOMEOWNERSHIP REPORT



NATIONAL ASSOCIATION OF  
HISPANIC REAL ESTATE  
PROFESSIONALS

# 2013

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Special acknowledgements and thanks: Mark Hugo Lopez, Jeffrey S. Passel, Emilio Abarca, Cristina Bryan, and the Pew Research Center  
Design: Green Park Agency | Colors inspired by Sherwin-Williams® Colormix™ 2014 Intrinsic Color Palette



NATIONAL ASSOCIATION OF  
HISPANIC REAL ESTATE  
PROFESSIONALS

The National Association of Hispanic Real Estate Professionals® is a non-profit trade association founded in 1999. The association has 20,000 members that include real estate agents, brokers, mortgage professionals and settlement service providers. NAHREP's mission is to advance sustainable Hispanic homeownership in America by educating and empowering real estate professionals who serve Hispanic home buyers and sellers, advocating for policy that supports the organization's mission and facilitating relationships between industry stakeholders and housing professionals

Established in 2012, the NAHREP® Foundation is a non-profit charitable organization whose mission is to advance sustainable Hispanic homeownership through strategic engagement in efforts focused on financial literacy, education and community development.

The State of Hispanic Homeownership Report is a publication of the National Association of Hispanic Real Estate Professionals® and the NAHREP® Foundation.

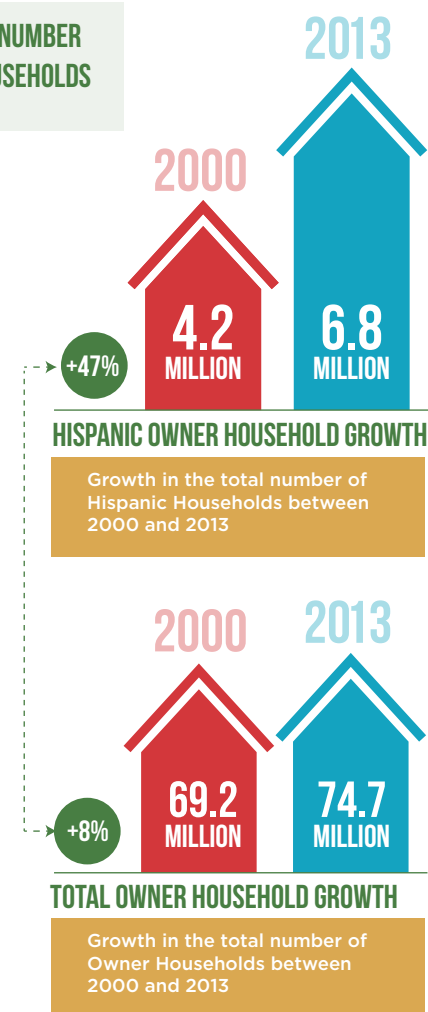


# EXECUTIVE SUMMARY

2013 is the fourth consecutive year that the National Association of Hispanic Real Estate Professionals® (NAHREP®) has produced the State of Hispanic Homeownership Report. The report is designed to highlight the homeownership growth and household formation rates of Hispanics as well as their educational achievements, entrepreneurial endeavors, labor force profile, and purchasing power in the United States. The report analyzes the demographic trends and dynamics that shape the homebuyer market and verifies the rise of Hispanics as a vital force in the housing market and the nation's economy.

## THE NUMBERS

YEAR	RATE OF HOMEOWNERSHIP percent	NUMBER OF HISPANIC OWNER HOUSEHOLDS units in thousands	ANNUAL CHANGE IN THE NUMBER OF HISPANIC OWNER HOUSEHOLDS unit change in thousands
2000	46.0%	4,242	
2001	47.3%	4,497	+255
2002	47.0%	4,912	+425
2003	46.7%	5,172	+260
2004	48.1%	5,448	+276
2005	49.5%	5,852	+404
2006	49.7%	6,095	+243
2007	49.7%	6,303	+208
2008	49.1%	6,319	+16
2009	48.4%	6,253	-63
2010	47.5%	6,197	-56
2011	46.9%	6,324	+127
2012	46.1%	6,672	+348
2013	46.1%	6,756	+84



## THE ROLE OF HISPANICS IN THE NATION'S HOUSING MARKET AND ECONOMY

The table above shows the Hispanic homeownership rate and total owner households from 2000 through 2013. During that period, the total number of owner households in the U.S. grew from 69.2 million in 2000 to 74.7 million in 2013, an increase of 5.5 million. **During that same period of time, Hispanics accounted for an increase of 2.6 million owner households, or nearly half (47 percent) of all homeownership growth in the country.**

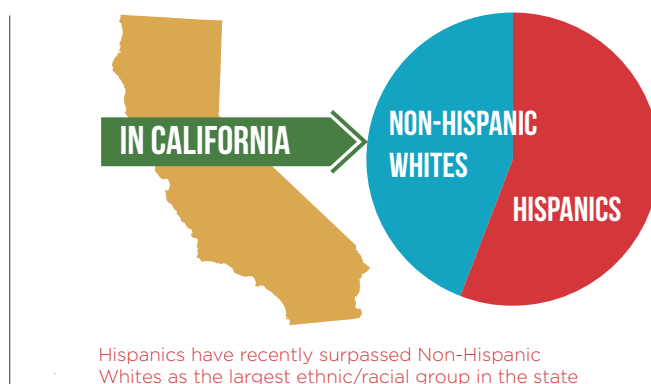
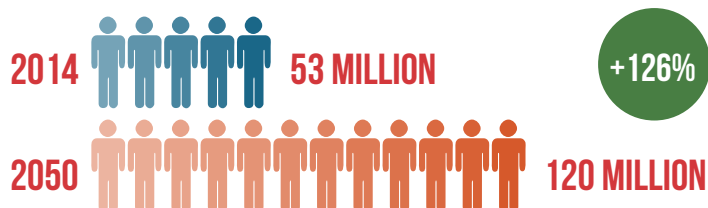
In 2013, the rate of Hispanic homeownership held steady at 46.1 percent and achieved a modest net increase of 84,000 owner households. While homeownership growth in 2013 was less than the previous two years, growth since 2010 has been strong - accounting for 56 percent of the total net homeownership growth in the United States. Hispanics thus continue to be a crucial driver of the nation's homeownership demand during the most critical period of the housing recovery.

Hispanics have also experienced a fast recovery in home values - an average of 25.3 percent increase from the bottom in 2011. In terms of home value growth, Hispanic communities are expected to fare well in 2014, with home values for Hispanic owned homes expected to increase by an average of 16.8 percent. However, according to a recent RealtyTrac® report, the spike in home values was likely due to substantial institutional investor activity in Hispanic communities.

## POPULATION TRENDS AND FUTURE GROWTH

The Hispanic population in the U.S. is currently at 53 million and it is projected to climb to more than 120 million or 30 percent of the total US population by 2050. **In California, Hispanics have recently surpassed Non-Hispanic Whites as the largest ethnic/racial group in the state.**

### HISPANIC POPULATION IN THE U.S.



Hispanic household income, nudged by a strong work ethic, is trending upward and more Hispanics are attending college than ever before.

Hispanics also represent a much younger demographic averaging a full 10 years younger than the overall population.

Over the next decade, it continues to be expected that Hispanics and other minorities will be spurring growth in the housing market. Few would argue that absent the Hispanic market, growth in the housing sector would be flat at best. In the short run, a sustained housing recovery requires that Hispanics and other first-time homebuyers remain a fundamental source of purchases of new and existing homes.<sup>1</sup>

## CHALLENGES AND OPPORTUNITIES

A 2014 survey of NAHREP members strongly indicates that, were it not for two significant barriers, Hispanic homeownership growth in 2013 would likely have been much stronger - with members citing that inventory shortages are the primary barrier to homeownership, and access to credit ranking a distant second. **In a nationwide survey of members, 75 percent of whom are real estate agents and 25 percent of whom are loan originators, 42.24 percent of respondents expressed that inventory shortage due to competition from cash investors was the primary barrier to Hispanic homeownership in 2013.**

The member survey results are consistent with a market analysis of purchase trends since 2011 nationally and in key Hispanic markets.<sup>2</sup> An astounding trend of cash sales and increasing percentage of sales to institutional investors in key Hispanic markets across the country has resulted in a reduction of up to 50 percent of the available housing inventory to owner occupant buyers.



The prospect of immigration reform remains a major variable. In a 2013 study, NAHREP estimated that immigration reform could add up to 3 million new homebuyers into our system over the next 10 years.

## KEY STATISTICS

Some of the key demographic statistics highlighted in this report include:

### POPULATION GROWTH AND EDUCATION:

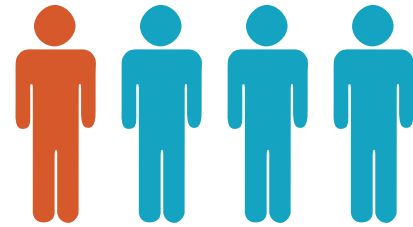
- Hispanics represent a sizeable and growing share of population and homeownership growth. **Today, one in every four children in the U.S. is Hispanic.**
- Hispanics continue to achieve educational gains at all grade levels. In 2012, 69 percent of Hispanic high school graduates enrolled in college, for the first time surpassing non-Hispanic Whites at 67 percent. The Hispanic high school dropout rate has also plummeted by 50 percent in the past decade, falling to 15 percent in 2012.

### EMPLOYMENT AND INCOME:

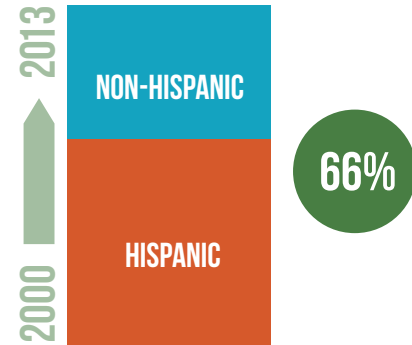
- Hispanics continue to drive the growth of the nation's workforce. **Since 2000, Hispanic job gains have accounted for 66 percent of the total U.S. job growth.** By 2050, one in three working Americans will be Hispanic.
- The median household income of Hispanics is \$40,400. Twenty-two percent of all Hispanic households earn more than \$75,000 annually.
- The purchasing power of Hispanics is projected to grow to \$1.5 trillion by 2015, a \$500 billion increase from 2010.

### HOMEOWNERSHIP:

- **Since 2010, Hispanics have accounted for a net increase of 559,000 owner households, representing 56 percent of the total net growth of owner households in the U.S.** Equally significant, Hispanics have accounted for 47 percent of the total net growth of homeowners since 2000.<sup>3</sup>
- Hispanics are passionate about homeownership. According to an annual Fannie Mae survey, in 2013, Hispanics were more likely than the general population to prefer owning because it makes more financial sense and is a good place to raise a family. They are also more likely than the general population to expect to buy a home in the next three years.



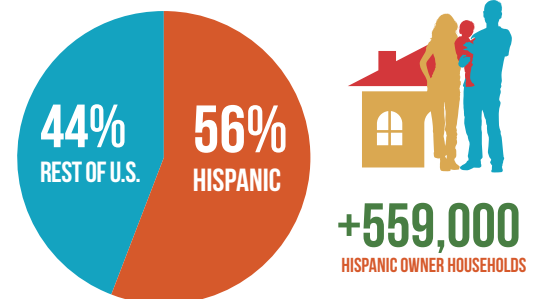
Today, one in every four children in the U.S. is Hispanic



### U.S. JOB GROWTH 2000 – 2013

Since 2000, Hispanic job gains have accounted for well over half of total U.S. job growth.

2010 → 2013



### HOUSEHOLD NET INCREASE SINCE 2010

Since 2010, Hispanics have accounted for a net increase of 559,000 owner households, representing 56 percent of the total net growth of owner households in the U.S.

## CONCLUSIONS

According to Mel Martinez, Co-Chair of the Bipartisan Policy Center's Housing Commission, the Hispanic community may be the biggest single driving force for housing demand in the coming decade.

Hispanics are exerting a powerful influence on the economy and are transforming America's marketplace. They are primary drivers of the nation's population growth, housing demand, labor force, and entrepreneurial endeavors. Over the long run, their economic role will become even more important as they continue to make gains in education, income, and homeownership.

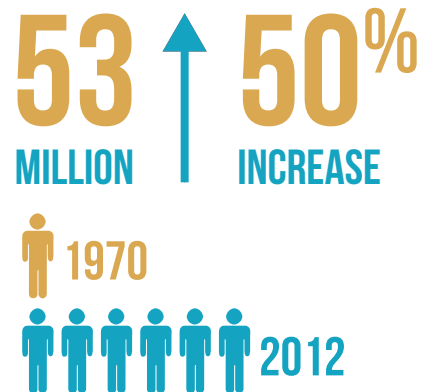
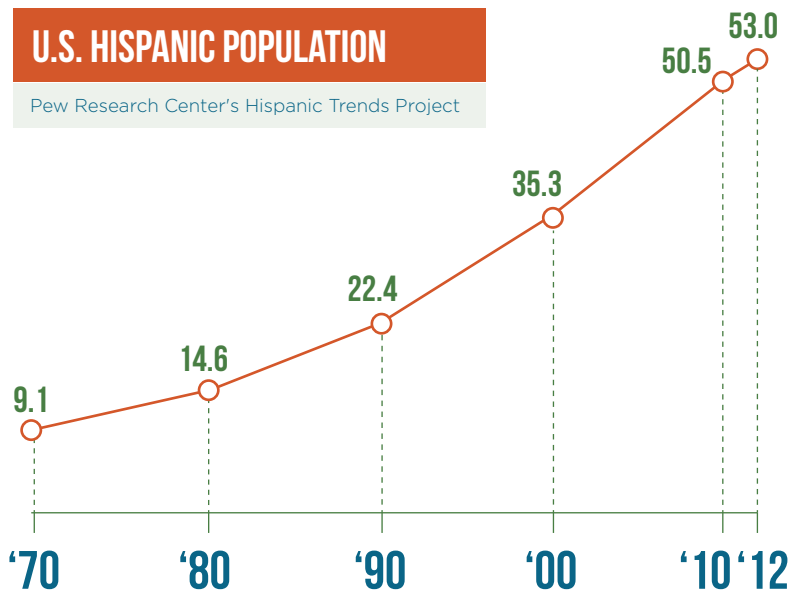
The 2014 NAHREP member survey highlights some of the most compelling challenges facing Hispanic homebuyers. **Misguided government programs like REO to Rental and the Distressed Asset Stabilization Program have had unintended consequences that have contributed to the severe lack of housing inventory in dozens of Hispanic neighborhoods leaving thousands of qualified buyers on the sidelines while inviting an unprecedented wave of institutional investors into the market.** Tighter mortgage credit spurred by new lending regulations and higher down payment requirements from Fannie Mae and Freddie Mac are likely to make access to affordable mortgages more difficult for Hispanic homebuyers.

The data continues to show that growth in the housing market will depend in large part on how government succeeds at implementing policies and initiatives that support homeownership, and on the ability of the housing industry to develop products and services that are relevant to the cultural nuances and economic needs of Hispanics and other first time homebuyers.



# HISPANIC POPULATION AND HOUSEHOLD FORMATION TRENDS

## HISPANIC POPULATION GROWTH IN RECENT DECADES



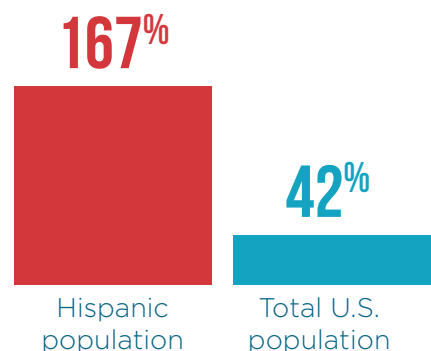
The U.S. Hispanic population has grown to 53 million, a 50% increase since 2000 and nearly six times the population in 1970. In sharp contrast, the overall U.S. population increased by only 12% from 2000 to 2012.

The 2013 State of Hispanic Homeownership Report analyzes trends in household formation, population growth, educational attainment, and labor profiles, and other data sets, as key indicators of Hispanic homeownership in the U.S. The report examines past trends and projects future outcomes based on this analysis.

According to the Pew Research Center's Hispanic Trends Project, **the U.S. Hispanic population has grown to 53 million, a 50 percent increase since 2000 and nearly six times the population in 1970.** In sharp contrast, the overall U.S. population increased by only 12 percent from 2000 to 2012. In this same time period, Hispanic population growth accounted for more than half of the country's overall population growth.

The U.S. Hispanic population now makes up 17 percent of the total U.S. population. **Hispanics are expected to grow 167 percent from 2010 to 2050, compared to a 42 percent growth rate projected for the total U.S. population during the same time frame.**

The number of Hispanic households has grown from 9.2 million in 2000 to 14.7 million in 2013, an increase of 5.5 million, representing a growth rate of 60 percent. In contrast, the number of non-Hispanic households in the U.S. has grown from 93.4 million in 2000 to 100 million in 2013, a growth rate of only 7 percent during the same time span.



### POPULATION GROWTH RATE FROM 2010 – 2050

Hispanics are expected to grow 167 percent from 2010 to 2050, compared to a 42 percent growth rate projected for the total U.S. population during the same time frame.

The median age of the Hispanic population is 27 years old, which is ten years younger than the median age of the overall U.S. population. In particular, Hispanics are heavily represented in the 26 to 46 year age range. There is also a strong correlation between household composition and size and the formidable desire of Hispanics to become homeowners:



**HISPANIC HOUSEHOLDS WITH CHILDREN YOUNGER THAN 18**

Sixty-one percent of all Hispanic households consist of a married couple with children younger than 18.

- Hispanic households are twice as likely as non-Hispanic Whites to be comprised of a married couple with children
- With 3.3 persons per household versus 2.4 persons for non-Hispanic Whites, Hispanic households are typically larger than the households of non-Hispanic Whites
- Hispanic households are comprised of twice as many children younger than 18
- **Sixty-one percent of all Hispanic households consist of a married couple with children younger than 18**

**TODAY, A HISPANIC YOUTH TURNS 18 EVERY MINUTE OF EVERY DAY**

**NEW HOMEBUYERS**

**50% IN 2020**

Hispanics are expected to comprise fifty percent of all new homebuyers by 2020

**Today, a Hispanic youth turns 18 every minute of every day.** As a young population group, Hispanics are moving into every region of the country, particularly into southeastern states, into the suburbs or into counties near major metropolitan areas in search of lower costs of living and better job opportunities. **Because of their greater mobility, Hispanics have been revitalizing economically distressed areas, reviving decaying commercial districts, and rejuvenating run-down neighborhoods, small towns, and rural areas.**

According to the Joint Center for Housing Studies at Harvard, even if immigration fails to bounce back to pre-recession levels, four out of 10 new households between 2010 and 2020 are expected to be Hispanic. All of these demographic and cultural characteristics make Hispanics ideal homebuyers in the housing market. **Hispanics are expected to comprise fifty percent of all new homebuyers by 2020.**<sup>4</sup>



# THE ROLE OF HISPANICS IN THE NATION'S ECONOMY

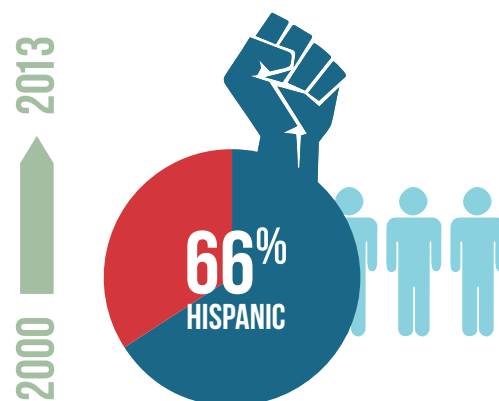
## THE EMERGENCE OF HISPANICS AS A DOMINANT ECONOMIC FORCE IN AMERICA

Hispanics are the largest minority population group in the country and wield a purchasing power that puts them on par with the world's top 10 largest economies.<sup>5</sup> Their population growth and rising consumer clout make them an undeniable force in elections, and their growing activism on public policy issues, such as immigration reform, may soon be a reckoning point for elected officials in the short term. At the same time, Hispanics are quickly emerging as a consumer force in the U.S. marketplace and are outpacing non-Hispanic Whites in demand for many goods and services therefore shaping the market through their preferences.

Gains in jobs, income, education, new business formations and overall purchasing power will only serve to drive Hispanic consumerism to grander levels. Here are some noteworthy developments since the last report:

### LABOR FORCE

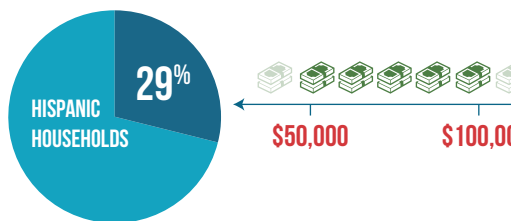
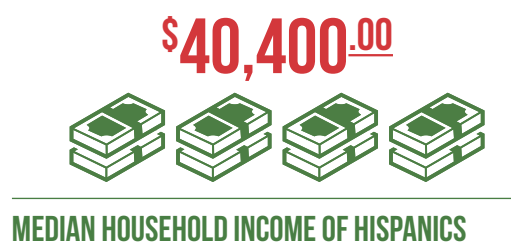
**Between 2000 and 2013, Hispanics accounted for 66 percent of the growth in the nation's labor force.** As of January 2014, the Hispanic unemployment rate remained at 8.4 percent, one of its lowest levels since 2008 and only slightly higher than the national unemployment rate of 6.6 percent. The high rate of labor force participation in the Hispanic population, its relative youth, and its continued rapid growth, underscore the importance of the Hispanic workers in the coming decades.



GROWTH IN U.S. LABOR FORCE 2000 - 2013

### INCOME

**The median household income of Hispanics is \$40,400.** Hispanics with incomes between \$50,000 and \$100,000 represent 29 percent of all Hispanic households and comprise nearly 40 percent of Hispanic purchasing power. Three out of every four prosperous Hispanics are under the age of 45 and own a home. Twenty-two percent of all Hispanic households earn more than \$75,000 annually.



HISPANIC HOUSEHOLD INCOME

**69%** HISPANIC HIGH SCHOOL GRADUATES ENROLLED IN COLLEGE

**2%** MORE THAN NON-HISPANIC WHITES



### HISPANIC-OWNED BUSINESS GROWTH

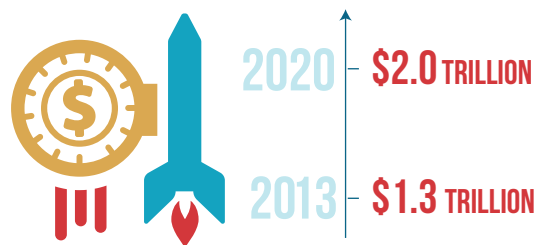
Entrepreneurship: The number of Hispanic-owned businesses in the U.S. nearly doubled from more than a decade ago, growing from 1.7 million in 2002 to an estimated 3.2 million in 2013.

### >2 MILLION EMPLOYED



**>\$465** BILLION ADDED TO U.S. ECONOMY

Hispanic businesses contribute in excess of \$465 billion to the nation's economy annually and employ more than two million workers.



### HISPANIC PURCHASING POWER

These economic gains are both significant and substantive. Ultimately, educational, job and income gains, and business growth will empower more Hispanics to buy homes. This is already evidenced in the higher homeownership rate of 67 percent among Hispanics with incomes over \$50,000.<sup>9</sup> **With an anticipated labor force composition that projects Hispanics will account for 75 percent of the growth in the nation's work force by 2020, there is significant potential for growth in this area providing market forces remain conducive to affordable homeownership.**

In housing, this economic strength is central to the recovery of the residential housing market. According to Fannie Mae's national survey, *Hispanics: A Key Driver of Future Homeownership Demand*, Hispanics are likely to be a substantial source of growth in homeownership demand because they will account for most of the U.S. population growth through 2060. **Since 2000, Hispanics have accounted for 47 percent of U.S. homeownership growth.**

## EDUCATION

More Hispanic high school graduates are entering college than non-Hispanic Whites. In 2012, 69 percent of Hispanic high school graduates enrolled in college, a full two percentage points higher than the rate (67 percent) among their non-Hispanic White counterparts.<sup>6</sup> From 2000 to 2011, the number of Hispanics with a bachelor's degree nearly doubled, rising from 2.1 million to 3.8 million.<sup>7</sup> Fifteen percent of Hispanics had attained a bachelor's degree or higher level of education as of 2012. The number of Hispanics with doctorates also jumped 161 percent between 1990 and 2010, almost double the non-Hispanic rate of 90 percent, according to U.S. Census data.<sup>8</sup>

In a 2014 Washington Post Miller Center poll, 64 percent of Hispanics said that a college diploma is a major part of the American dream, compared with 50 percent of non-Hispanic Whites and African Americans. Seven in ten Hispanics also cite education or hard work as most important in climbing up the economic ladder.

## ENTREPRENEURSHIP

The number of Hispanic-owned businesses in the U.S. nearly doubled from more than a decade ago, growing from 1.7 million in 2002 to an estimated 3.2 million in 2013. Hispanics are currently starting new businesses at a rate two times faster than the national average, while Latina entrepreneurs are launching businesses at a rate **SIX TIMES** the national average. **Hispanic businesses contribute in excess of \$465 billion to the nation's economy annually and employ more than two million workers.** Latinos now own one out of every 20 businesses in the U.S., while Latinas own 10 percent of all women-owned businesses.

## PURCHASING POWER

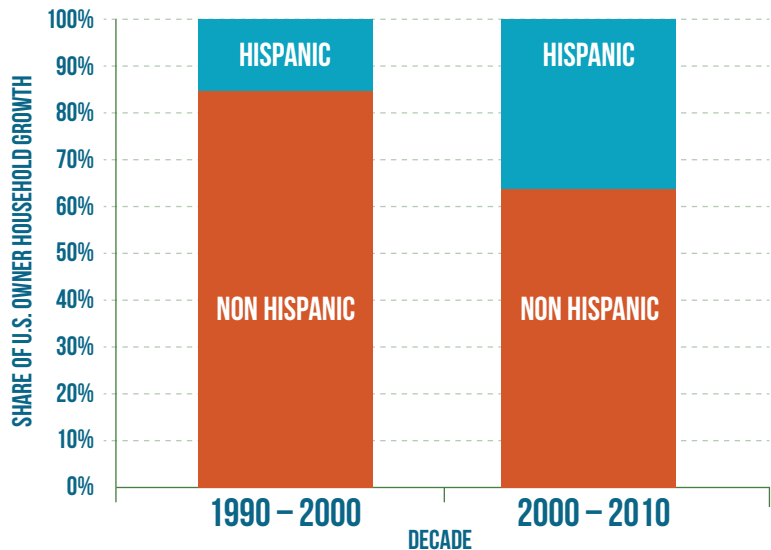
The purchasing power of Hispanics is estimated at \$1.3 trillion and is expected to surpass \$2.0 trillion by 2020.

# THE ROLE OF HISPANICS IN TODAY'S HOUSING MARKET

## U.S. HOMEOWNERSHIP GROWTH

2010 U.S. Census

According to the 2010 U.S. Census, Hispanics with incomes over \$50,000 had achieved a 67 percent rate of homeownership, thus exemplifying the vast importance of job, educational, and income gains to the future prospects of Hispanic homeownership. As Hispanics have grown in population and settled into the suburbs during the past decade, they have continued to purchase homes at an accelerated rate.



## THE FORMIDABLE IMPACT OF HISPANICS ON THE HOUSING MARKET

Hispanics continue to account for most of the net growth in U.S. owner households. In 2013, Hispanics accounted for an increase of 84,000 owner households, or 32 percent of the net growth in owner households (263,000) in the U.S.. Overall, Hispanics have attained a cumulative net increase of 559,000 owner households since 2010 representing 56 percent of the overall growth nationwide.

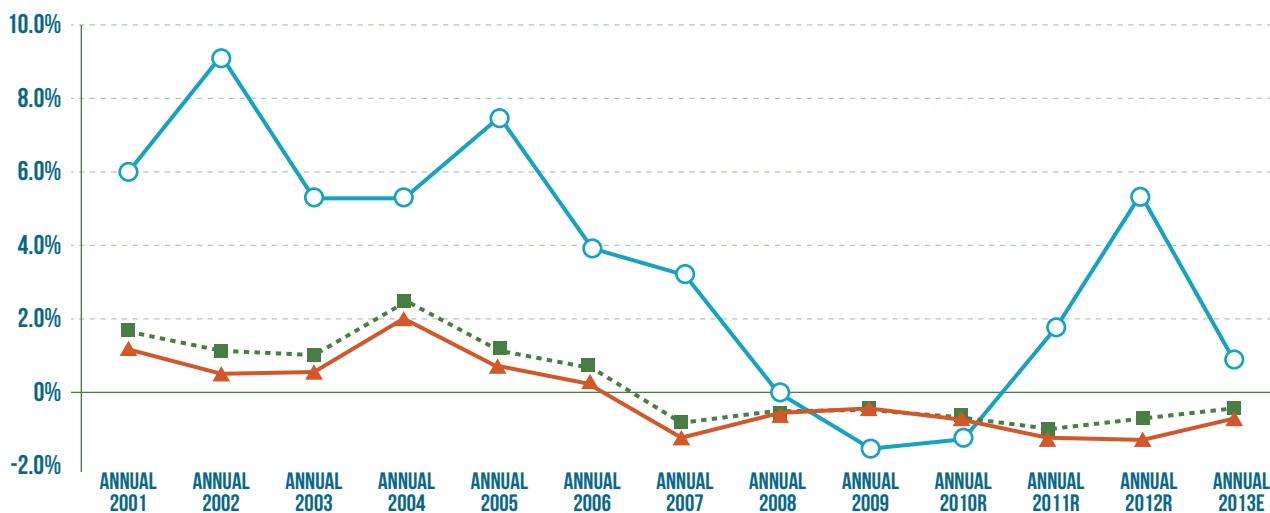
## GROWTH IN OWNER-OCCUPIED UNITS IN THE U.S.

Percentage Changes in the Growth of Owner Households in the U.S. from 2000 to 2013

### AVERAGE ANNUAL INCREASE

**+3.7%** HISPANIC  
**+0.3%** NON HISPANIC

ALL (dotted line with square)  
HISPANIC (solid line with circle)  
NON HISPANIC (solid line with triangle)



## INVENTORY SHORTAGES AND COMPETITION FROM CASH BUYERS

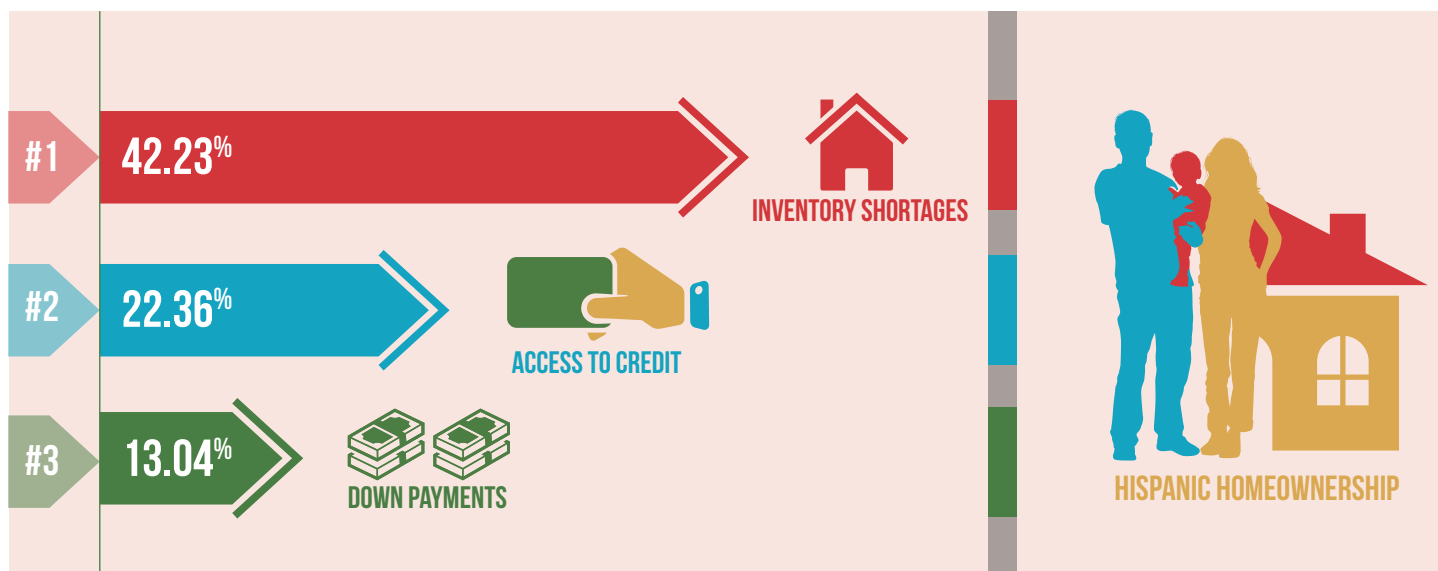
While the story for homeownership and Hispanics in 2013 is essentially positive, challenges with inventory and competition from cash buyers significantly suppressed stronger homebuyer activity. The numbers of cash buyers were at an all-time high in 2013 and first time buyers were at historic lows as a percentage of overall transactions.

In March 2014, NAHREP conducted a survey of its members. Seventy-five percent of the respondents were real estate agents and twenty-five percent were mortgage originators. Roughly 90 percent of the respondents reported closing more than 10 transactions in 2013. **When asked what they believed was the primary barrier to Hispanic homeownership in today's market, 42.23 percent stated that inventory shortage was the number one barrier- far outpacing access to credit (22.36 percent) and down payments (13.04 percent).** Additionally, 78.26 percent of the respondents reported that they have at least one qualified client who has been actively looking for a home for more than three months without success and 40.37 percent said they have more than 5 active clients who have been unable to find a suitable home or get an offer accepted.

For the few affordable homes that emerge on the market, agents continue to report that first-time homebuyers have been frequently losing out to investors who can pay cash. These investors, in turn, primarily seek to rent out the homes until they can sell them at a substantial profit.<sup>10</sup> Despite efforts by housing advocates to encourage a focus on community stabilization, loan servicers have only accelerated disposition strategies that favor investors who can close transactions quickly over owner-occupant buyers that typically require financing and require more time to close. While cash investors had a substantial impact on the market in 2013, higher price points appear to be slowing down investor enthusiasm. As the market continues to recover, the housing supply and demand should reach a healthier balance.

### PRIMARY BARRIER TO HISPANIC HOMEOWNERSHIP IN TODAY'S MARKET

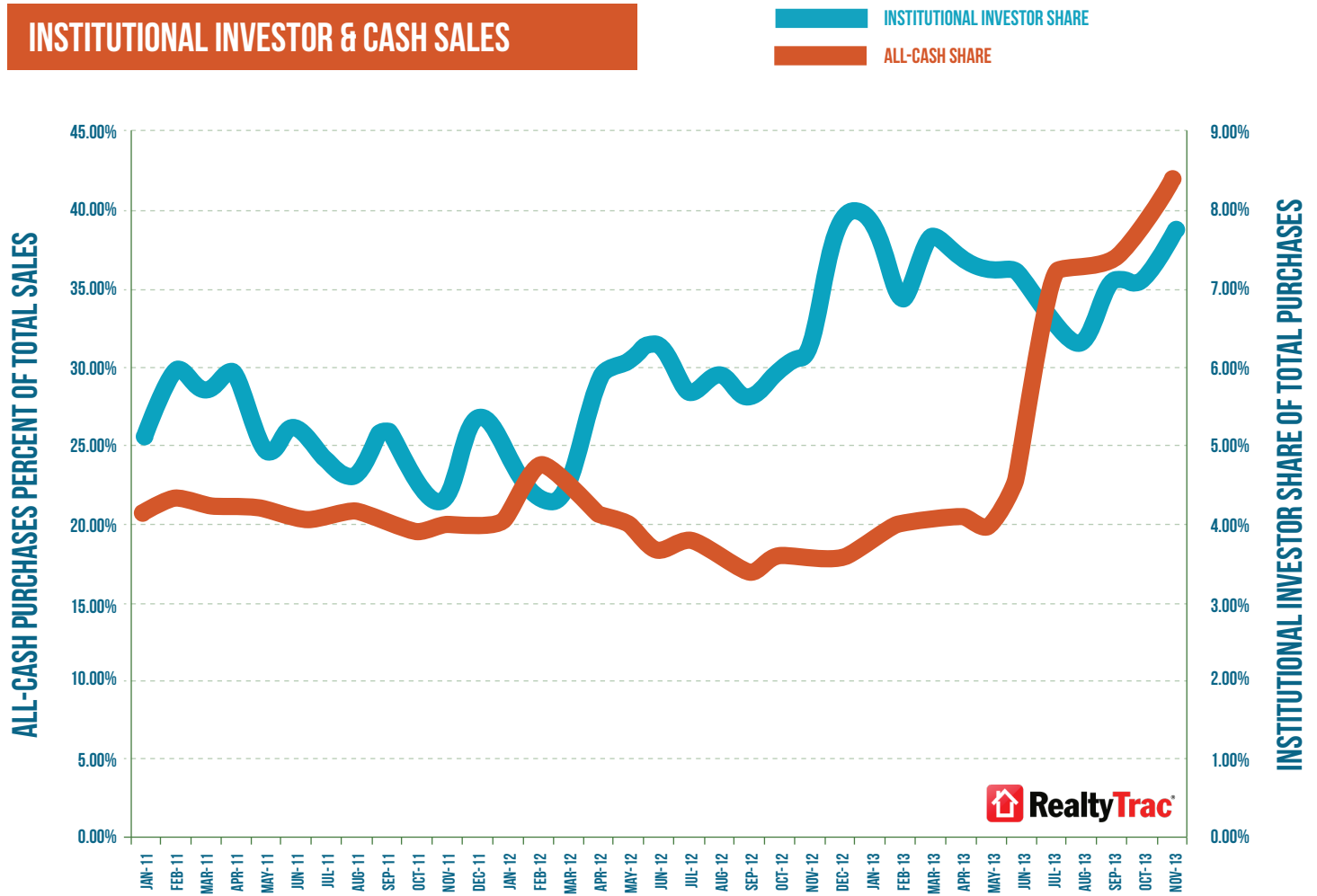
NAHREP Member Survey, March 2014



In March 2014, NAHREP conducted a survey of its members. Seventy-five percent of the respondents were real estate agents and twenty-five percent were mortgage originators. Roughly 90% of the respondents reported closing more than 10 transactions in 2013. When asked what they believed was the primary barrier to Hispanic homeownership in today's market, 42.23% stated that inventory shortages was the number one barrier- far outpacing access to credit (22.36%) and down payments (13.04%)



# THE IMPACT OF INSTITUTIONAL INVESTORS AND CASH BUYERS ON HOUSING INVENTORY



Before the housing crisis, sales of single family homes to institutional investors were virtually non-existent. In 2011, institutional sales reached 5 percent of all single family transactions nationwide. Since then, the institutional investor share of sales in the U.S. housing market has increased from 5 percent to 8 percent of all U.S. home sales. Over this same period of time, cash sales in the U.S. housing market remained around the 20 percent range until a sharp upward spike began in May 2013, ending the year with more than 40 percent of all home sales being made by cash buyers. **This astounding trend of cash sales and increasing percentage of sales to institutional investors ultimately results in a reduction of up to 50 percent of the available housing inventory to owner occupant buyers.**

Upon examination of the nation's largest Hispanic markets, in terms of population growth or overall population, the picture is even more grim.

- **Miami, FL** ended 2013 with 13 percent of its sales to institutional investors and 66 percent of available housing inventory sold in cash<sup>11</sup>
- **Phoenix, AZ** ended 2013 with 13 percent of its sales to institutional investors and its last two quarters of the year with 37 - 40 percent of available housing inventory sold in cash<sup>12</sup>
- In **Atlanta, GA**, the nation's fastest growing major city among Hispanics, sales to institutional investors more than doubled from Q3 2011 to Q3 2012 and have continued the upward trend into 2013 with sales to institutional investors hovering in the 20 percent range. The final two quarters in 2013 also saw spikes in cash sales from 26 percent, nearly doubling in just two quarters to 48 percent in Q4 2013<sup>13</sup>

- Since the fourth quarter of 2012, **Las Vegas, NV**, also one of the fastest growing major cities among Hispanics, has experienced a 12 - 20 percent institutional investor share of sales and a remarkable 36 - 56 percent of housing stock sold to cash buyers. This unsettlingly high trend of cash sales increased to 43 percent in 2013 where it remained for the first two quarters of the year until the increase in the third quarter of 2013 to 56 percent. In this same quarter, sales to institutional investors peaked at 20 percent.<sup>14</sup>

These four metropolitan areas are emblematic of a devastating trend that has been sweeping the nation's affordable housing markets, eliminating available inventory for owner occupants, most notably in markets densely populated with the nation's Hispanic consumers.

In other key Hispanic markets, including **Los Angeles** and **Chicago**, sales to institutional investors and cash sales did not exceed the national average, however, one or both figures far exceed the historical average in those markets.

While the inexpensive housing stock proves to be a prudent purchase for institutional investors and cash buyers, the land grab may simultaneously be creating an artificial inflation of the pricing in these markets, in particular. The net effect of this trend is that it destines many Latino families to be renters by systematically edging them out of the prospect of homeownership. Communities that were once dominated by owner occupants have become rental communities. **This is problematic for many reasons, including the fleecing of Hispanics' primary source of wealth creation. Should this trend continue, an even more significant impact to the U.S. economy will be the depletion of its primary source of first-time home buyers and U.S. homeownership growth.**

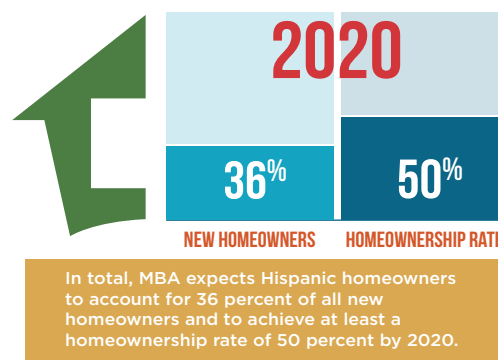
# PROSPECTS FOR HISPANIC HOMEOWNERSHIP GROWTH

## IMMIGRANT AND NATIVE-BORN HISPANICS: CATALYSTS OF HOMEOWNERSHIP DEMAND

In 2013, a groundbreaking study by the Mortgage Bankers Association (MBA) found that immigrants are a burgeoning source of demand that has bolstered housing markets in recent decades. Since 1990, the total growth in U.S. immigrant homeowners has increased each decade, rising from 2.1 million added in the 1990-2000 decade to 2.4 million in 2000-2010, with nearly half of that increase attributable to Hispanic immigrant homeowners. By 2020, a further rise of 2.8 million immigrant homeowners is projected, with Hispanic immigrant homeowners alone expected to account for an increase of 1.5 million, well over half of the total increase.

Immigrants are a substantial source of demand for owner-occupied housing: their rates of homeownership rise markedly the longer they reside in this country (growing older and more economically established at the same time). For example, the homeownership rate of Hispanic immigrants who arrived in the U.S. during the 1980s rose from 15 percent in 1990 to 53 percent in 2010, and is projected to rise to 61 percent in 2020. In addition, between 2006 and 2009, the rate of homeownership among U.S.-born households fell by more than one percentage point below that of Asian and Hispanic households, and the latter's stronger presence across the country in both large and smaller metropolitan areas helped them to keep more of their homes. Such resilience and growth are contributing to upward momentum and are expected to provide continued vigorous support to the U.S. housing market.<sup>15</sup>

By 2020, an increase of 5.1 million native-born homebuyers is also projected, with native-born Hispanics alone accounting for 27 percent of the total increase. **In total, MBA expects Hispanic homeowners to account for 36 percent of all new homeowners and to achieve at least a homeownership rate of 50 percent by 2020.** Such growth suggests a much brighter outlook in the demand for owner-occupied housing, especially if immigration reform is enacted and the rate of homeownership for immigrants substantially rises.



## HOUSEHOLD FORMATIONS DRIVING THE DEMAND FOR HOMEOWNERSHIP

Over the next two decades, immigrant and native-born Hispanics are expected to drive annual household formations, which most housing experts acknowledge undergird the entire housing market. In particular, the typical household size, age, and economic gains of Hispanics ensure vigorous household growth in the future.

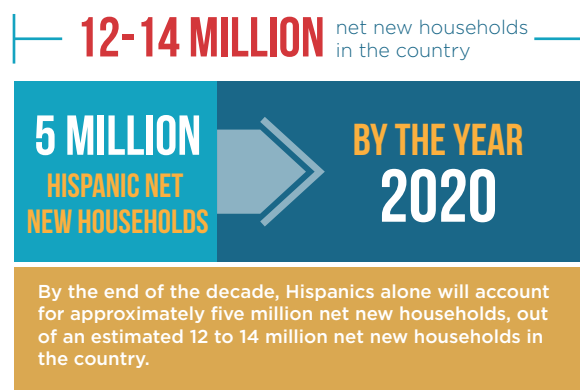
Fundamentally, changes in the number of adults and the rates at which adults head independent households determine household growth. On the plus side, the number of adults age 18 and older rose by 18.1 million from 2005 to 2012. The echo-boom generation (born after 1985), especially young Hispanics, fueled much of this growth, helping to boost the number of adults in their mid-20s—the group most likely to form new households.<sup>16</sup>

In 2012, revised U.S. Census data shows that U.S. household growth rose by 857,000. According to Harvard's Joint Center for Housing Studies, stronger immigration helped boost the pace of growth, with the immigrant population registering its largest increase since 2008.

A closer analysis of the revised 2012 U.S. Census data reveals that the bulk of this growth was the result of a total increase of 983,000 Hispanic households (part of that figure was due to a once-a-decade Census adjustment). The make-up of these households was also predominately two parents and at least one child. Absent this growth, the nation would have experienced negative household growth, since non-Hispanic Whites alone accounted for a decrease of 806,000 households.

**In 2013, the net household increase for Hispanics was 205,000.** The smaller increase was likely due, at least in part, to slow economic growth that has prevented many young adults from forming independent households in many regions of the country. There may also be some undercounting that will be adjusted in the future as was the case in 2012. However, as the economy continues to recover, expanded job opportunities should help release the vast pent-up housing demand within this critical age group. In particular, U.S.-born children of immigrants, who are fueling overall population growth in the country, represent important sources of demand for homeownership because they typically have higher household incomes than both immigrant and other native-born households.

Because of their population growth, rate of household formation, and purchasing power, Hispanics will be primary drivers of demand for condominiums, smaller starter homes, and trade-up homes, especially in high-density communities.



An estimated 11 million housing units will become available by the end of the decade as baby boomers retire. Steady gains in education, income, and entrepreneurship are also likely to propel thousands of prosperous Hispanics into higher-priced homes, as they seek to buy many of the homes released by baby boomers and purchase newly constructed homes. **By the end of the decade, Hispanics alone will account for approximately five million net new households, out of an estimated 12 to 14 million net new households in the country.**

According to the Bipartisan Policy Center, the ability of echo-boomers, including Hispanics, to absorb many of the homes of baby-boomers in communities where they are particularly concentrated will be most critical to the ongoing vitality and stability of these local housing markets. Access to housing, education, a growing Hispanic agent network and access to affordable credit will be emboldening many aspiring homeowners to buy a home now and in the near future. **Hispanics are already entering the market at healthy levels as savvy Latino households have become aware that buying is currently about 40 percent cheaper than renting in practically all of the 100 largest metropolitan areas in the U.S.**<sup>17</sup> Bargain home values, relatively low interest rates and an improving economy are enticing more Hispanic move-up buyers as well.

# IMMEDIATE OBSTACLES PREVENTING LATINOS FROM BUYING A HOME

## THE ZILLOW HOUSING CONFIDENCE INDEX

Zillow Chief Economist Stan Humphries said if all renters who indicated they wanted to buy actually did purchase a home in the next year, it would represent more than 4.2 million first-time home sales, more than double the 2.1 million first-time home buyers in 2013.<sup>18</sup>

“For the housing market to continue its recovery, it is critical that homes are both available and remain affordable to meet the strong demand these survey results are predicting, particularly from first-time homebuyers,” Humphries said. “Even after a wrenching housing recession, [these] data show that the dream of homeownership remains very much alive and well, even in those areas that were hardest hit.”

However, Zillow believes that those aspirations are unlikely to be realized soon, as homeownership headwinds persist. Humphries said tight inventory, rising mortgage interest rates and growing affordability problems in a handful of areas could make it difficult for potential buyers to follow through as the market enters the spring home shopping season.

Zillow noted that while inventory increased nationally compared to a year ago (up 11.1 percent), it still remains well below optimal levels and has fallen year-over-year in eight of the 20 metro areas surveyed by the index. Recent data from the U.S. Census Bureau also indicates that the share of new homes built as rental units has grown, while the share of new construction dedicated to the kinds of single-family homes likely to be favored by first-time buyers is down.

## TIGHTER CREDIT STANDARDS FOR LOW DOWN PAYMENT MORTGAGES

The average credit scores for both FHA and conventional borrowers have increased substantially since the early 2000s. In August of 2013, the average credit score for a Fannie Mae borrower was 758 and the average score for FHA borrowers was 695. Since the beginning of the housing crisis only 20 percent of borrowers had credit scores of less than 660 – almost all of which were FHA.<sup>19</sup>

The implementation of new mortgage rules, such as the QM and QRM have also contributed to tighter credit in the mortgage market. Concerns about substantial penalties and litigation have prompted many lenders to manage risk by only originating mortgages that were safely “in the box”. As these new rules become better understood, credit may become looser over time.

Fannie Mae and Freddie Mac increased their minimum down payments to 5 percent - further driving first-time buyer transactions to FHA. Currently, 60 percent of all mortgage loans made to Hispanics and more than 50 percent of all mortgage loans made to first-time homebuyers are secured by FHA. This raises concerns because policy makers from both parties have expressed a strong desire to reduce government financial exposure by decreasing FHA market share. **Until the conventional market becomes more active in the first-time homebuyer market, long term access to affordable low down payment mortgages remains uncertain.**



## MILLIONS OF HOMEOWNERS STILL UNDERWATER

Today, one in ten homeowners still owe more on their loans than their homes are worth. Problems among underwater owners, who are often the potential sellers of lower-priced starter homes that first-time buyers can traditionally afford, are keeping these properties off the market and exacerbating inventory shortages in many markets. A large percentage of these properties remain in high-density Hispanic markets such as Miami, Las Vegas, Chicago and Riverside County.

## “THIN” CREDIT FILES

A large number of creditworthy Latinos are finding it difficult to obtain mortgage credit because they are either self-employed, or have thin credit files. Many of these borrowers have no FICO® score because they traditionally pay in cash for most purchases. Thin credit is not a new issue, but innovations that address this problem have not been adopted by the mortgage industry. Fannie Mae, Freddie Mac and FHA exclusively use FICO scores in their underwriting systems and therefore continue to ignore other scoring models, including VantageScore, that is able to score a much larger percentage of consumers and could provide a safe and viable solution to a long standing barrier to Hispanic homeownership.

# CONSUMER ATTITUDES AND PREFERENCES

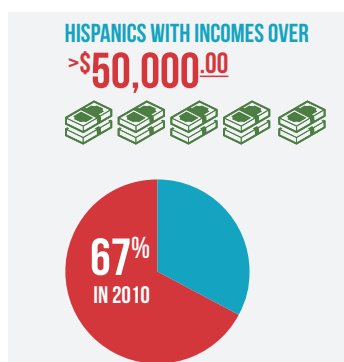
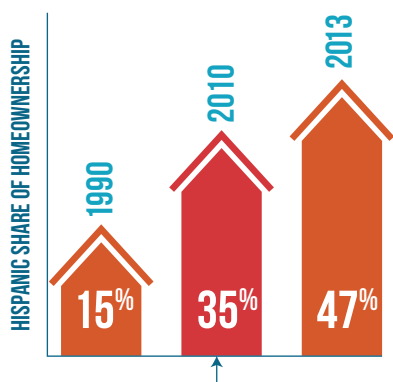
## HISPANICS: A KEY DRIVER OF FUTURE HOMEOWNERSHIP DEMAND

Hispanics' affinity for homeownership bodes well for the nation's housing market, according to the Fannie Mae National Housing Survey *Hispanics: A Key Driver of Future Homeownership Demand*, released in October 2013. The survey predicts Hispanics to be a key driver of homeownership demand based on population growth and historical trends.

According to the report, the Hispanic share of homeownership rose from 15 percent to 35 percent between 1990 and 2010,<sup>20</sup> and currently hovers at 47 percent. Fannie Mae also asserts that, in spite of the foreclosure crisis, Hispanics with incomes over \$50,000 achieved a 67 percent rate of homeownership by 2010.

### HISPANIC SHARE OF HOMEOWNERSHIP

Fannie Mae National Housing Survey *Hispanics: A Key Driver of Future Homeownership Demand*



According to Fannie Mae National Housing Survey *Hispanics: A Key Driver of Future Homeownership Demand* report, the Hispanic share of homeownership rose from 15 percent to 35 percent between 1990 and 2010, and currently hovers at 47 percent. Fannie Mae also asserts that, in spite of the foreclosure crisis, Hispanics with incomes over \$50,000 achieved a 67 percent rate of homeownership by 2010.

Other findings include:

- Hispanics are more likely than the general population to prefer owning versus renting and expect to buy a home in the near term.
- Hispanic homeowners (91 percent) are as likely as the general homeowner population to say that owning makes more financial sense than renting.
- Eighty-eight percent of Hispanic renters say owning a home makes more financial sense (as of the fourth quarter of 2012), well above 71 percent of renters as a whole. Most Hispanics see homeownership as a way to save for retirement (84 percent), the best investment plan (90 percent), and a way to build wealth (84 percent).
- Hispanics are much more likely than the general population to express concerns about their ability to get a mortgage.
- Sixty-three percent of Hispanic homeowners believe it would be difficult to get a home mortgage today, compared to 40 percent of the general population of owners.
- Despite a greater concern about their ability to get a mortgage, Hispanic owners and renters both are more likely than their general population counterparts to expect to buy a home in the next three years.
- Hispanics are more likely than the general population to prefer owning a home not only because it makes more financial sense but also for lifestyle reasons. They believe homeownership empowers future decisions, reduces stress and provides a good place to raise a family.
- Hispanics are also more likely than the general population to expect to buy a home in the next three years and to buy a home rather than to rent on their next move.

Hispanics have greater faith in the American dream than other population groups, according to a poll published by the Washington Post in early 2014. In the poll, 68 percent of Hispanics said that the American dream means owning a home, compared to 62 percent of non-Hispanic Whites and 54 percent of African Americans.

Similarly, the poll found that 64 percent of Hispanics defined the American dream as being able to get a college education, compared to 50 percent of non-Hispanic Whites and 48 percent of African Americans. Additionally, 68 percent of Hispanics believe that the American dream means doing better than one's parents did, compared to 50 percent of non-Hispanic Whites and 60 percent of African Americans.

# KEY FINDINGS OF FANNIE MAE'S NATIONAL HOUSING SURVEY

## HISPANICS ARE AS LIKELY TO BE DRAWN TO THE FINANCIAL BENEFITS OF HOMEOWNERSHIP AS THE GENERAL POPULATION

- Nearly all Hispanics see homeownership as the best investment plan, a way to save for retirement, and a way to build up wealth

To achieve this, are you better off owning or better off renting? <i>Showing % Q4-2012 Owning: Ranked by the Gap</i>	GP	Hispanic	Gap
Having the best investment plan	87	90	+3
Saving for retirement	81	84	+3
Having the best overall tax situation	73	75	+2
Living within your budget	65	67	+2
Being better off financially overall	80	81	+1
Making the best decision given the current economic climate	68	69	+1
Building up wealth	84	84	0

## HISPANICS ARE MUCH MORE LIKELY TO SAY THAT OWNING IS A BETTER OPTION THAN RENTING IN ORDER TO ACHIEVE VARIOUS LIFESTYLE BENEFITS

- Hispanics see owning as the best way to have flexibility, less stress, and a good place to raise a family

To achieve this, are you better off owning or better off renting? <i>Showing % Q4-2012 Owning: Ranked by the Gap</i>	GP	Hispanic	Gap
Having flexibility in future decisions	64	82*	+18
Living in a convenient location	65	77*	+12
Having less stress	53	65*	+12
Living in a nicer home	82	89*	+7
Having a good place for your family or to raise your children	87	92*	+5
Living in a place where you and your family feel safe	84	89*	+5
Having a sense of privacy and security	89	93*	+4
Living in your preferred school district	73	77	+4
Feeling engaged in your community	83	86	+3
Having control over what you do with your living space	94	96	+2

## LATINOS REMAIN RESOLUTE ABOUT HOMEOWNERSHIP

The majority of young Latino households still want to buy a home in spite of current economic conditions, based on a variety of other housing polls. For example, TD Bank's 2013 Mortgage Service Index survey shows that even though Hispanic homebuyers have had a less satisfying experience buying their last home, they were still more likely to buy a home than the general population within the next year.

The TD Bank Index also reported that 43 percent of Hispanics had an "extremely" or "very stressful" experience buying their last home, while only 24 percent of the general population felt the same stress levels. In addition, 23 percent of Hispanics said the mortgage process prevented them from closing on time compared to 12 percent of overall respondents.

In a nutshell, the index revealed that Hispanics retained an optimistic outlook on home buying: Nearly one third (32 percent) of Hispanics were extremely or very likely to buy a home in the next year as compared to 18 percent of the general population. Overall, four in five Hispanics felt it was a good time to buy a new home.<sup>21</sup>

## GREATER SUPPORT AND BETTER INFORMATION NEEDED FROM LENDERS

The Mortgage Service Index survey also exposed that only 54 percent of Hispanics found the process of getting a mortgage approval as "excellent" or "very good," compared to 67 percent of the general population. Other interesting findings include:

- Thirty-nine percent of Hispanics polled used a bank/lender website to get a mortgage versus the general population (34 percent).
- More Hispanics (70 percent) applied for a mortgage in person, compared to the general population (65 percent).
- Only 16 percent of Hispanics have applied for their mortgage over the phone compared to the general population (21 percent)
- Fourteen percent of Hispanics applied for their mortgage online, while only 12 percent of the general population did so.

In terms of how Hispanics feel about their lenders, a majority of them rated their lender as "excellent" or "very good" in the following aspects of interaction: Honesty and transparency (60 percent); simplicity in obtaining a mortgage (56 percent); service to help them understand the entire mortgage process (54 percent); information about the mortgage and options available (52 percent); online tools (51 percent).

Zillow conducted a similar study that indicated Hispanics are more likely than most other population groups to go with a recommended lender and to recommend their lender to others. The study also found that Hispanics are more likely to experience a longer mortgage process: 18 percent of Hispanic applicants spent three months or more in the pursuit of a home purchase loan compared to only 12 percent of non-Hispanic Whites. Hispanics were also more likely to consider multiple loans from multiple lenders and to submit more than one application. In fact, 37 percent of Hispanics reported they had submitted two or more mortgage applications, whereas only 16 percent of non-Hispanic Whites did the same.<sup>22</sup>

In summary, even though many Hispanics rate their lenders as "excellent" or "very good", there remains considerable room for improvement since nearly half of Hispanics still rate lenders as falling well below their expectations of a fully satisfactory mortgage lending experience.

# SERVING HISPANIC CONSUMERS

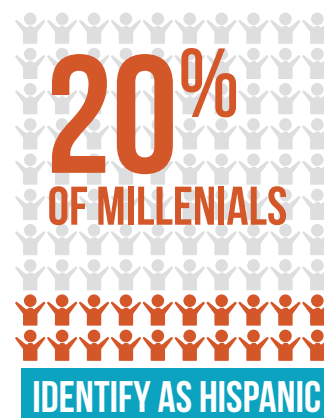
The U.S. Hispanic community is made up of various demographic segments that influence products and services in the broader consumer marketplace through their purchases and preferences. The following are noteworthy population segments that have the potential to impact the demand for goods and services in the near term, including housing that accommodates large multigenerational families and neighborhoods that are community-focused.

## THE CRITICAL ROLE OF HISPANIC MILLENNIALS

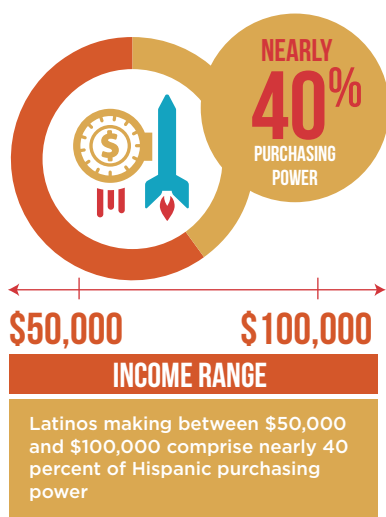
Young Hispanics are redefining the Latino experience in America. They make up 20 percent of all U.S. Millennials (18-29 years old) and aspire to be ambicultural: equally Latino and equally American. They maintain strong ties with their Hispanic heritage, are more likely to spend time with their families than their non-Hispanic White counterparts, and nearly 80 percent of them speak Spanish on a regular basis. Ninety seven percent believe it is important to hold on to their Hispanic culture and traditions.<sup>23</sup>

Their ease with moving between cultural identities is an indicator of what is to come in the mainstream America of tomorrow. As a consumer force they are early adopters and have bought into the social, wireless, mobile experience of communicating, accessing the Internet and being connected. Here are some key statistics about them:

- **20 percent of Millennials identify as Hispanic**
- Hispanic Millennials are highly concentrated in cities like Bakersfield, CA (34 percent more than in measured markets overall), El Paso, TX (31 percent more), and Fresno, CA (21 percent more)<sup>24</sup>
- 96 percent own a mobile phone
- 76 percent belong to a social network and use it to keep in touch with friends and family <sup>25</sup>



## UPWARDLY MOBILE LATINOS REPRESENT VAST MARKET POTENTIAL



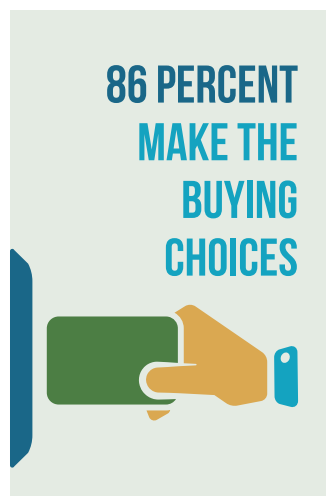
**Latinos making between \$50,000 and \$100,000 comprise nearly 40 percent of Hispanic purchasing power.** Mostly young, urban, and connected, these prosperous Latinos have a median household income of \$71,000 and account for 29 percent or 15 million of the U.S. Hispanic population. They are considerably younger than upscale non-Hispanic Whites (33 years old compared to 39 years old), and live active lifestyles, often with young families. As many as 85 percent of them have a household size of three or more, compared to 65 percent of upscale non-Hispanics.<sup>26</sup>

Most of these upscale movers and shakers reside in urban areas such as Los Angeles, New York, Houston and Miami, and the surrounding communities. They are significantly driving the rise of the Hispanic communities in secondary markets like: Jacksonville, Florida, Honolulu, Hawaii, Washington D.C. and smaller communities such as Salt Lake City, Raleigh and Oklahoma City. As an economic force, these Latinos are fueling emerging Hispanic markets and lead new technology trends in smartphone and tablet usage.



These Latinos have attended college, are increasingly White-collar professionals, and are more likely to be business owners than upscale non-Hispanic Whites. Eighty-one percent of them are part of the nation's labor force and 75 percent are homeowners, representing the potential for move-up sales to higher-valued housing. They are also driving growth and population in secondary markets like Jacksonville, Honolulu, Washington D.C., and smaller communities such as Salt Lake City, Raleigh, and Oklahoma City. As an economic force, these consumers are early adopters of technology, more likely to use smartphones, own tablets, and subscribe to one of the top four U.S. mobile service providers.

## THE RISE OF HISPANIC WOMEN IN THE ECONOMY



A super consumer force in the making, Latinas are emerging as a motivated group of connected decision makers in the U.S. consumer marketplace. They have moved ahead of Latino men in their educational pursuits (73 percent are enrolling in college) and career development, are the decision makers in household spending (**86 percent make the buying choices**) and they outpace non-Hispanic White families with children.

Hispanic women are also leading the trend of the ambicultural middle with an identity that balances their Hispanic roots and their American lifestyle.<sup>27</sup> They are family oriented, bilingual, super connected and are adopting and using all types of technology at a higher pace than non-Hispanic U.S. females. Their families' wellbeing drives their propensity to use technology to shop, research, buy, communicate and (social) network. More specifically, a 2012 Mobile Insight Study by Nielsen indicates that many Latinas turn to information sourced online to make buying decisions

- 81 percent have purchased a product online based on online information
- 77 percent rely on online lifestyle information to help them make day-to-day decisions
- 69 percent have purchased a product in-store based on information found online
- 62 percent follow brands online

Latinas are also leading the trend as entrepreneurs, **launching new businesses at a rate of SIX TIMES the U.S. national average**. The Hispanic culture and values of hard work, familism, femininity, determination, resilience and optimism motivate Latinas to create a better life for their families, strive for greater income and navigate the mainstream with confidence and a sense of belonging.

Hispanic women are leading the trend as entrepreneurs, launching new businesses at a rate of **SIX TIMES** the U.S. national average.

**6 X** =

**NATIONAL AVERAGE**      **MORE NEW HISPANIC BUSINESSES**

## SUMMARY

All of these distinct Hispanic market segments are key drivers of economic influence. They offer the housing industry and ancillary service providers a prime opportunity to establish new and loyal consumer relationships with products that resonate with their cultural values and unique behavior trends.<sup>28</sup>

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# CONCLUSIONS

According to Pulitzer Prize Winning journalist and scholar Hedrick Smith, homes are the heart of the American dream and the cornerstone of middle-class wealth. Supporting the homeownership aspirations of all Americans through sound national housing policies and programs as well as through the achievement of consistent gains in education, jobs, and income is clearly in the broader economic best interests of the country.

Tight credit conditions and restrictive policies are currently adversely affecting the prospects of homeownership for millions of families. The latest HMDA home purchase owner-occupied loan data shows relatively positive numbers for Hispanics (211,354) Asians (127,682) and Blacks (124,609) in 2012. However, these minority figures pale in comparison to home-purchase, owner-occupied loans by non-Hispanic White households (1,879,102). While U.S. Census homeownership data show net growth in owner-households only for Hispanics and Asians, non-Hispanic Whites and Blacks do not show net growth in owner households largely because they have been losing hundreds of thousands more homes than they have been purchasing. Although Hispanics and Asians have also lost many homes, they have managed to show net increases in owner-households during the same period.

2013 will be remembered as another positive year in the housing recovery. It will also be known as the year that we saw the first single family rental securitization to add to a number of new business strategies birthed during the housing crisis that drive precious affordable housing stock out of the reach of qualified owner occupant buyers. Nonetheless, Hispanics remain the most important segment of new homebuyers. “The industry needs customers that are passionate about the product we sell, appreciate the service we provide and who want to be our customer for life”, said 2014 NAHREP President, Jason Madiedo. “Such is the essence of Hispanic homebuyers and why I believe the Hispanic sector is the greatest business opportunity in the housing market today.”

## NAHREP ADVOCACY

Entering 2014, NAHREP focused its advocacy efforts in three primary areas:

- 1) Comprehensive Immigration Reform
- 2) Property Disposition Strategies that Support Community Stabilization
- 3) Housing Finance Reform

In addition, NAHREP began work on an ambitious effort to substantially increase Hispanic household wealth with the launch of its Hispanic Wealth Project.

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# 2014 POLICY POSITION STATEMENT

## OVERVIEW

Annually, the National Association of Hispanic Real Estate Professionals® (NAHREP®) reevaluates its position on a number of key policy issues which have a direct impact on the Association's ability to accomplish its mission. In 2014, immigration reform is of such critical near term importance that NAHREP is compelled to issue this Call to Action to policy makers on the subject. The nation's immigration laws must be reformed without further delay, and NAHREP urges policymakers to seriously consider the solutions outlined in its Call to Action.

An executive summary of NAHREP's Call to Action and Policy Priorities are listed below:

### 2014 CALL TO ACTION – IMMIGRATION REFORM

We urge Congress to enact immigration reform and we have highlighted the positive impact passing this reform legislation will have on our economy. NAHREP calls on Congress to take specific actions we outline to ensure passage of immigration reform in this 113th Congressional session.

### POLICY PRIORITY – INVENTORY DISPOSITION

There is currently a lack of inventory in the marketplace caused by the financial services industry's failure to manage distressed properties in the best interests of the community. Companies like Ocwen are purchasing large numbers of distressed loans, circumventing the professional real estate community, and liquidating assets in a way that continues to impact inventory levels and adversely affects community revitalization.

### POLICY PRIORITY – HOUSING FINANCE REFORM

NAHREP supports comprehensive reform of Fannie Mae and Freddie Mac (the "GSEs"); however it is critical they are replaced with other government programs that provide the same level of support to the affordable housing market.

# CALL TO ACTION

## NAHREP CALLS FOR LAWMAKERS TO IMMEDIATELY PASS COMPREHENSIVE IMMIGRATION REFORM

The 2010 U.S. Census estimates approximately 40 million individuals living in the U.S. are foreign born with undocumented immigrants accounting for 28 percent of that population. That equates to 11.2 million individuals living in the U.S. without status, unbanked, and not fully integrated into the economy. While the influx of undocumented immigrants continues to decline sharply, the overall size of this population has tripled since 1990 and is still larger than in 2000 when it was 8.4 million.

The Pew Research Center estimates that nearly 80 percent of the undocumented immigrant population is from Mexico and other Latin American countries. In 2013 Mexico again topped the waiting list for immigrant visas with 1.4 million in queue, more than the combined total waiting list from the next four countries with the greatest demand (India, Vietnam, China and the Philippines). Based on the current distribution system, a maximum of 50,000 from Mexico's waiting list could be granted an immigrant visa, resulting in an estimated wait period of nearly 20 years to emigrate from Mexico to the U.S.

Much of the current immigration reform debate focuses on a handful of potential strategies that seem designed primarily to reverse past immigration patterns; strategies including: increased border security, stiffer penalties for employers who employ the undocumented, and expulsion strategies to remove unauthorized individuals.

In reality, none of these punitive strategies address fully the immigration problem, and all ignore the fact that 11 million people currently live and work in this country without dignity or status, actively contributing to the U.S. economy and whose immediate removal from the country could cripple our agriculture, service, and construction industries. The solution is not as simple as stating that immigrants should follow the proscribed processes in place.

This situation calls for a less reactionary approach, focusing instead on resolution to the issue of status and retaining a ready workforce. Commonsense reform must begin by acknowledging 11 million people currently live in the shadows in the U.S. without status or dignity. Additionally, reform must recognize the current process for foreigners to legally immigrate to the U.S. is broken. Visa caps are applied to each country uniformly despite the fact that the greatest demand and backlog is from Mexico, which is the country of origin for 58 percent of the undocumented immigrants in the U.S.

The absence of definitive reform at the Federal level has emboldened states to take action to address the issue. The piecemeal approach at the state level results in a patchwork of alarmist reactions including:

- Adoption of voter id laws to breed false alarm and create a perception that undocumented individuals are generally untrustworthy and will seek to vote when they are not entitled to
- Passage of regressive, attrition-based laws like Arizona's SB1070 which allow police to stop anyone whom they suspect may be undocumented to check for status

Since 2007 when the U.S. economy began to falter into recession, the net number of immigrants arriving into the U.S. dropped precipitously. In fact, according to the Pew Hispanic Center, "The largest wave of immigration in history from a single country [Mexico] to the United States has come to a standstill." This trend is especially significant because 51 percent of all immigrants from Mexico are unauthorized. The net migration from Mexico has plummeted to zero. The increase in border patrol agents combined with the decrease in border apprehensions due to lower unauthorized immigration demonstrates an already secure border. There is no longer a tide of illegal immigration to stem. There is, however, a problematic population of 11.2 million undocumented immigrants, most of whom have been in the U.S. for over 10 years, and remain in the shadows. The undocumented population is overwhelmingly Latino, and nearly 60 percent are Mexican. While clearly



undocumented persons living in the US from places other than Mexico and Latin America, the sheer volume of undocumented Hispanics makes immigration reform an undeniably Latino issue.

So, what to do with 11 million people? The current spike in deportation trends suggests expulsion as an intentional strategy to resolve the quagmire. In fact, “repatriation” of unauthorized Mexicans has risen to record levels. With migration into the U.S. from Mexico at a standstill, the likelihood of their reintroduction to the U.S. is low. Chief among the many problems with this repatriation focus is that it fails to acknowledge U.S. economic dependency on the labor provided by this population. Indeed, the current U.S. labor force is comprised of 8.3 million undocumented immigrants occupying a disproportionately large percentage of low-skilled jobs in the farming, construction and service industries. Current estimates indicate nearly 20 percent of construction and 25 percent of farm workers are undocumented. In Western states like Arizona, California and Nevada, they comprise 10 percent or more of the work force. Considering these remarkably high percentages, expulsion of a necessary labor force cannot be part of a reasonable reform strategy. Immigrants will continue to fuel U.S. population growth and labor force, with projections indicating that by 2050, 82 percent of U.S. population growth will come directly from immigrants and their descendants. Common sense reforms to federal immigration policy are necessary to meet our labor demands.

At 17 percent of the total U.S. population, the Latino community represents a significant part of our overall economy, and is especially critical in states like California, Texas, Illinois, Florida and Arizona. The element of “mixed status” families introduces an additional layer of complexity. That is to say, 73 percent of all children of unauthorized immigrants are U.S. citizens by birth, a percentage that is increasing. In fact, 4 million U.S. born children reside in mixed status families. Clearly deportation of one or more parent in one of these households would have a significant material impact on a large number of U.S. citizens, future taxpayers and contributors to the economy.

While 42 percent of Latinos agree that comprehensive immigration reform should include a path to citizenship for those currently living in the U.S. without status, an even greater percentage (55 percent) feel it’s important they be able to live and work here without the threat of deportation.

American public sentiment indicates a large majority, fully 75 percent, agree that it would be better for the country’s economic prosperity for the undocumented to gain status and have an opportunity to work within the law legitimately. Indeed, NAHREP’s research shows that of the estimated 6 million individuals who would seek legalization, at least half of those would pursue homeownership. Given Latino’s higher than average homeownership aspirations, these conservative estimates are projected to result in \$500 billion in home purchases and new mortgages, injecting the housing industry with a much need boost to its recovery.

# NAHREP'S SOLUTIONS:

NAHREP implores the Obama administration and the 113th Congress to identify resolutions at the Federal level which meet the economic needs of our nation by allowing for legal employment opportunities that generate tax revenue from millions of currently undocumented workers across the U.S. into our struggling economy. NAHREP is a strong advocate for comprehensive immigration reform that includes the following:

### DEPORTATION RELIEF

In order to preserve our labor pool and the country's labor demands, deportation relief must be an active component of immigration reform.

### PATHWAY TO CITIZENSHIP

A resolution must include a pathway to citizenship for those who would seek status and choose to become U.S. citizens. This is especially true for the 1.5 million children in the country without status.

### IMMIGRANT VISAS

Current visa caps are antiquated and do not address the backlog of legitimate requests to immigrate to the country, as well as legitimize unauthorized persons already in the country. Reforms should provide status for undocumented immigrants and address the current backlog of family and employment-based visa applications.

### NON-IMMIGRANT VISAS

Work related visas and guest worker programs should be an essential element to an overall reform package. The explicit inclusion of legal residency would enable qualification for various financial instruments, including mortgages, further aiding the housing recovery.

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# POLICY PRIORITY: INVENTORY DISPOSITION

## THE DISPOSITION OF FORECLOSED PROPERTIES AND DEFAULTED LOANS MUST INCLUDE A FOCUS ON LOCAL COMMUNITIES AND OWNER OCCUPANT HOMEBUYERS.

Last year NAHREP first pointed out the negative implications of alternative disposition strategies like bulk sales and auctions to deal with defaulted loans and foreclosed properties. Especially at a time when there are hundreds of thousands of families that have the means and desire to purchase these homes but are repeatedly being outmaneuvered by investors with cash and a system that prefers to look for easier solutions by avoiding buyers that need financing or who prefer to work with real estate agents.

Hispanics were devastated by the foreclosure crisis more than any other segment of our population. According to a Fed study, largely due to the housing crises, Hispanics lost more than two-thirds of their median household wealth in a five-year span ending in 2012. Hispanics are passionate about homeownership and are critical to the health and growth of our overall housing industry. Policy makers need to be aware that large investor controlled housing markets, and the unintended consequences of government and corporate policies that remove affordable housing stock from local buyers and the owner-occupied market are major threats to Hispanic homeownership growth.

## THE ISSUES FACING PROSPECTIVE HISPANIC HOMEBUYERS

Given the current political and economic climate, a lack of affordable housing inventory remains one of the most significant barriers to Hispanic homeownership in 2014. With interest rates near all-time record lows and price points as low as they are in most markets, home purchases are more affordable than they have been in decades.

However, despite the financial opportunity, fewer owner-occupants are purchasing homes today than in previous decades. In 2013, investors purchased almost 50 percent of all homes purchased for \$250,000 or less. Large investors and Wall Street firms have collectively purchased several hundred thousand single-family homes over the last several years. The majority of these institutional acquisitions were purchased through alternative dispositions such as auctions, and bulks sales that are essentially unavailable to owner occupant buyers. Most of the so called “specialty mortgage servicers” in the market are largely deploying disposition strategies that favor large investors over owner-occupant buyers and smaller local investors.

As a result, homebuyers who are sometimes willing to pay more for a home are being “boxed-out” of the market adding insult to injury for the Hispanic community. Another important consideration is that the market has never experienced a time when Wall Street investors have owned such a significant number of single-family homes. Unlike the stock market, residential real estate does not have sophisticated safeguards to protect the public from activities that can manipulate prices and undermine community stabilization. By allowing Wall Street investors to control such a large share of homes, wealth is diverted from middle class neighborhoods to wealthier communities. Equity appreciation benefits institutions and the wealthy instead of middle class families in working class neighborhoods. Failure to provide home buying opportunities to some of the most important growth segments of our society jeopardizes economic growth and stability for an entire generation.

# NAHREP'S SOLUTIONS:

NAHREP believes that homes should be sold individually and to owner-occupants whenever possible. This will allow Hispanics and other minority groups to achieve their homeownership goals, while simultaneously stimulating the economy. Property disposition strategies that favor large investors and Wall Street firms should be discontinued in markets where there is strong demand from owner-occupants for residential properties.

### **NAHREP believes these issues can be addressed in several ways:**

- NAHREP encourages policy makers and the Obama administration to adopt policies that recognize the importance of selling foreclosed homes to owner-occupants whenever possible.
- NAHREP encourages the Office of the Comptroller of the Currency (OCC) to track and publish owner-occupancy sale percentages on bank foreclosed properties and to include foreclosed homes sold by non-OCC regulated servicers who purchased the servicing from an OCC regulated bank.
- NAHREP encourages HUD to require that foreclosed properties on notes that have been sold through the Distressed Asset Stabilization Program to follow the same "First Look" policies that FHA disposition protocols require.
- NAHREP believes that auctions for REO properties and short sales should be inclusive of real estate agents and provide ample opportunities for owner-occupant buyers and local investors.
- The need to obtain financing should not be a barrier to purchasing distressed real estate from the government or financial institutions.

We believe that these policies can help to provide Hispanics and other minority groups with an equal opportunity to become proud American homeowners, as well as provide desperately needed economic activity in the local communities most affected by the housing crisis.

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# POLICY PRIORITY: HOUSING FINANCE REFORM

## HOUSING FINANCE REFORM MUST PRESERVE AFFORDABLE LOW DOWN PAYMENT MORTGAGES FOR HOMEBUYERS

There is much debate taking place in Washington, DC and around the country about the appropriate role for federal government in ensuring access to mortgage credit. Since the housing crisis began in 2008, government dominance in the mortgage market has steadily increased to the point where the Government Sponsored Enterprises (GSEs) – Fannie Mae and Freddie Mac – and the Federal Housing Administration (FHA) provide access to over 90 percent of mortgage finance in America. The U.S. housing market has been on a recovery track for the last two years but remains heavily dependent on these entities. Fannie Mae and Freddie Mac have been in conservatorship more than five years and for the first time ever, the FHA was forced to request replenishment funding from the federal government. NAHREP believes that the current role of government in housing finance is not sustainable and comprehensive action must be taken to address the GSEs and FHA to ensure that viable homeowners from all economic segments have access to affordable mortgage financing.

Thus far, the House and Senate have proposed different approaches to housing finance reform. The leading House proposal, introduced by Republicans, leans heavily toward privatization and would eliminate the GSEs' affordable housing responsibilities. In contrast, the Senate proposal, introduced in a bipartisan effort, would combine a government backstop with a continued focus on affordable housing programs. Notwithstanding those differences, both proposals seek a reduced government role in the housing finance sector. This core principle has been echoed by the President, who recently laid out general principles for housing finance reform that include winding down the GSEs, amplifying the role of private risk capital, and preserving the function of FHA insurance. Unlike some, NAHREP does not believe that there is any credible evidence that supports the perspective that government efforts to support low to moderate income homebuyers or minorities played any material role in the recent housing crisis. Accordingly, while NAHREP supports the structural changes that are necessary to preserve the housing finance system, NAHREP strongly believes government's role in housing finance must always be primarily focused on underserved segments of the market.

NAHREP applauds efforts by policymakers to craft proposed solutions to this complicated issue, and stand ready to analyze all proposals and speak on behalf of NAHREP members and Hispanics who aspire to achieve the dream of homeownership.

## NAHREP'S SOLUTIONS:

The following principles of reform will guide NAHREP's assessment of any and all proposed solutions:

- A "Ginnie-Mae-type" government guarantee (backed by the full faith and credit of the U.S. government) on mortgage-backed securities is necessary to ensure investors (domestic and international) have confidence and trust in the securities in which they are investing.
- Ensure that all qualified borrowers, regardless of geography, income, racial or ethnic background must have access to affordable low down payment mortgage programs.
- Fannie Mae and Freddie Mac or any government program that replaces them must be primarily focused on providing access to first-time and low-to-moderate income homebuyers.
- Homebuyers and existing homeowners wishing to refinance must have access to a 30-year fixed rate mortgage.
- The TBA "To Be Announced" market must be preserved to allow consumers the ability to "lock-in" an interest rate at the time of application.

NAHREP will work to ensure there is a proper role for government and for the private free market to provide a constant flow of capital to support homeownership. NAHREP will ensure policymakers construct sensible and modest use of government programs, thereby encouraging availability and access to a free (but properly regulated) market.

# NAHREP HISPANIC WEALTH PROJECT

## LATINO LEADERS LAUNCH INITIATIVE TO ADDRESS WIDENING RACIAL WEALTH GAP, TRIPLE HISPANIC HOUSEHOLD WEALTH

*Henry Cisneros to chair project's advisory group of NAHREP real estate executives, business leaders, entrepreneurs and celebrities*

**(SAN DIEGO/WASHINGTON D.C.) February 4, 2014** - The widening disparity in Hispanic household wealth fueled by higher job losses, foreclosure, lost housing equity and income inequality has incited the National Association of Hispanic Real Estate Professionals along with other Latino leaders to launch the NAHREP Hispanic Wealth Project. Henry Cisneros, US Secretary of Housing and Urban Development (1993-1997), will chair an advisory group of Business leaders, entrepreneurs, and celebrities that will develop a blueprint of remedies to triple Hispanic household wealth over the next 10 years. Expanding and preserving sustainable homeownership is a significant component of the initiative. The association announced the initiative this week at its 2014 Housing Policy & Hispanic Lending Conference in Washington, D.C.

Business leaders who have signed on for a leadership role on the advisory board include:

- Nely Galan, media mogul, and founder of the Adelante Movement
- Dan Gilbert, Founder Chairman Quicken Loans
- Luis Maizel, CEO LM Capital Group
- Dr. Jerry Porras, Professor, Stanford University
- Frank Herrera, Chairman, New American Alliance, Chairman, The Herrera Law Firm
- John Long, President and CEO of Highridge Partners and co-founder of Golden Boy Partners

NAHREP leaders will spearhead the project, coordinate the funding, produce the report and manage awareness campaigns that publicize its findings. Historically home equity has accounted for two-thirds of the average net worth of Latino households, so Hispanic real estate leaders see a strong correlation between homeownership and the other opportunities it traditionally affords Latino families. In support of the project, The University of Chicago Booth School Of Business Executive MBA Students will provide research reports including an analysis of the impact that the Hispanic Wealth Project could have on the overall U.S. economy.

"NAHREP's own mission for advancing sustainable Hispanic homeownership is in alignment with wealth creation," said Gary Acosta, NAHREP's CEO. "However, a broad set of factors like small business growth, savings, education, income, jobs and financial literacy will also be addressed in this project."

The advisory group will author a blueprint that defines strategies and programs that address the gap. This will include a thorough analysis of the asset composition of Latino households, the impact of debt, the role of education, current access to government programs, small business formation trends, low wages and higher unemployment rates, assimilation and language, to name a few. The final report is expected to be completed later in the year.

The financial crisis caused huge setbacks for minorities and, in particular, Latinos whose labor sectors (construction, housing, hospitality, domestic services) suffered the largest job losses. Hispanic unemployment rates averaged a full 2% above the national average. Foreclosures dealt a huge blow to the community with Latino families losing as much as 66% of their household wealth between lost homes and lost equity.

"Hispanics are a substantial and growing segment of our workforce and consumer base. The entire country benefits when the Hispanic community succeeds," said Henry Cisneros, "Now is the perfect time for a thoughtful and comprehensive effort to address this important issue."

Cisneros, who also co-chairs the Bipartisan Policy Center's Housing Commission and Immigration Task Force, has been public in his concerns about the education and wealth disparities between Latinos and non-Hispanic whites. Even with Hispanics' rise in the labor pool, most of the job growth has been in low wage jobs.

The gap in Hispanic wealth and income bears long-term implications for the broader US economy. The nation has come to depend on the rising contributions of Hispanic labor. As the mammoth baby boomer generation of 80 million edges into retirement and begins to draw Social Security benefits, Latino labor and wage deductions will cover those benefit payments. According to experts, Hispanics are expected to comprise 19% of the US labor force by 2020.





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