

# State of Hispanic Homeownership Report



# 2012



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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

The 2012 State of Hispanic Homeownership Report is an analysis of data about the population growth rate, household formation, educational achievements, entrepreneurial endeavors, and workforce profile of the Hispanic community as key indicators of homeownership in the United States. The report examines the demographic trends and dynamics that shape the homebuyer market and documents the rise of Hispanics as a critical force in the housing market.

### THE NUMBERS

YEAR	RATE OF HOMEOWNERSHIP percent	NUMBER OF HISPANIC OWNER HOUSEHOLDS units in thousands	CHANGE IN # OF 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%	6,199	- 54
2011	46.9%	6,334	+ 135
2012	46.1%	6,689	+ 355

## ● HISPANICS ROLE IN HOUSING AND ECONOMIC RECOVERY

The table above shows the Hispanic homeownership rate and total owner households from 2000 through 2012. The homeownership rate is the number of owner households divided by the total number of households. **Notably, the data indicates that while the Hispanic homeownership rate has dropped from 47.5 percent to 46.1 percent since 2010, the total number of owner households has increased by nearly 500,000. This is due to the net increase of more than 1 million total Hispanic households in the U.S. during the same two year period.** The data suggests that notwithstanding a difficult economic environment and a tight mortgage market, Hispanics continue to play an increasingly significant role in the nation's home purchase market.

U.S. Census data over the past 12 years shows that despite suffering significant losses during the recent foreclosure crisis, Hispanics have achieved homeownership gains in all but two of those years. During the same 12-year period, the number of Hispanic homeowners grew from 4.24 million in 2000 to 6.69 million in 2012, a remarkable increase of 58 percent at a time when the rest of the U.S. population saw a net increase of only 5 percent. In 2012, home prices increased significantly in most markets across the country for the first time in half a decade. Hispanic household growth and home purchases were arguably the most important drivers of the housing recovery.

## ● FUTURE GROWTH AND CHALLENGES

The Hispanic population in the U.S. is expected to continue to grow at a faster pace than the general population for the next several decades. *Hispanic household income is also trending upward and more Hispanics are attending college than ever before. Hispanics are also a much younger demographic averaging a full 10 years younger than the overall population.* Consequently, the role that Hispanics will play in the housing market is also expected to grow significantly.

In terms of challenges, the most significant barriers to Hispanic homeownership in the short term are inventory shortages. Access to affordable, low down payment mortgages is the key in the long run. The most powerful long term variable is the prospect of long awaited reforms to the nation's immigration policies that could add millions of prospective consumers to the market over the next several years. Considering recent data that indicates naturalized Hispanics tend to become homeowners at a higher rate than U.S. born Hispanics, the prospect of immigration reform is even more compelling.

## ● KEY STATISTICS

The combination of economic and demographic trends points to a conclusion that the Hispanic community will be the force behind the revitalization and growth of the nation's economy for the foreseeable future. Some of the key statistics highlighted in this report include:

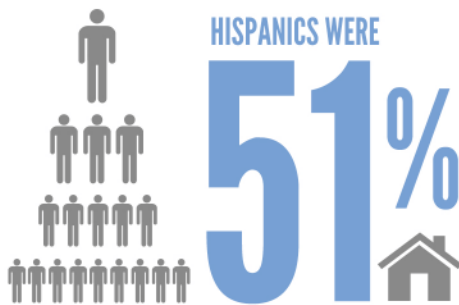
### POPULATION GROWTH AND EDUCATION:

- Hispanics continue to lead population growth in America. Hispanics have accounted for more than half of the U.S. population increase over the past decade. **Every month, 50,000 young Hispanics reach the age of 18.**
- Hispanics dominate household growth. Over one million Hispanic households were formed in 2012, compared to a decrease of 704,000 non-Hispanic White households.
- Hispanics are achieving higher educational milestones. Hispanics are now the largest minority group on the nation's college campuses. In 2011, the number of 18 to 24-year-old Hispanics enrolled in college exceeded two million and reached a record 16.5 percent share of all college enrollments.



## EMPLOYMENT & INCOME

- Hispanics are dominating the growth of the nation's workforce. In 2012, Hispanic job growth accounted for approximately half of total U.S. job growth.
- Hispanics are earning more. Forty percent of Hispanic households earned over \$50,000. Hispanic households earning more than \$50,000 are growing at a faster rate than that of the total number of U.S. households.
- Hispanic purchasing power exceeds \$1 trillion. The purchasing power of Hispanics is estimated to be \$1.2 trillion and is projected to grow to \$1.5 trillion by 2015.



## HOMEOWNERSHIP

- Hispanics continue to lead the surge in U.S. homeownership. In 2012, Hispanics accounted for 355,000 or 51 percent of the total net increase of 693,000 owner households in the U.S.
- Hispanics remain passionate about homeownership. Fifty-six percent of Hispanics said that a major reason to buy a home was because it represents a symbol of success or achievement, compared to only 32 percent of all Americans.

## ● CONCLUSIONS

Hispanics have become a dominant economic and political force in America, a fact underscored by their momentous impact on the 2012 presidential election. They are now a consumer powerhouse that is reshaping America's markets making them a major driver of the nation's population growth and of its labor force, entrepreneurial endeavors, educational attainment and homeownership achievement.

Surveys continue to show that most Americans, especially Hispanics, strongly aspire to own a home and will readily do so if they are offered the opportunity. Job growth in the broader economy and a surge in construction jobs are fueling a surge in demand for housing.

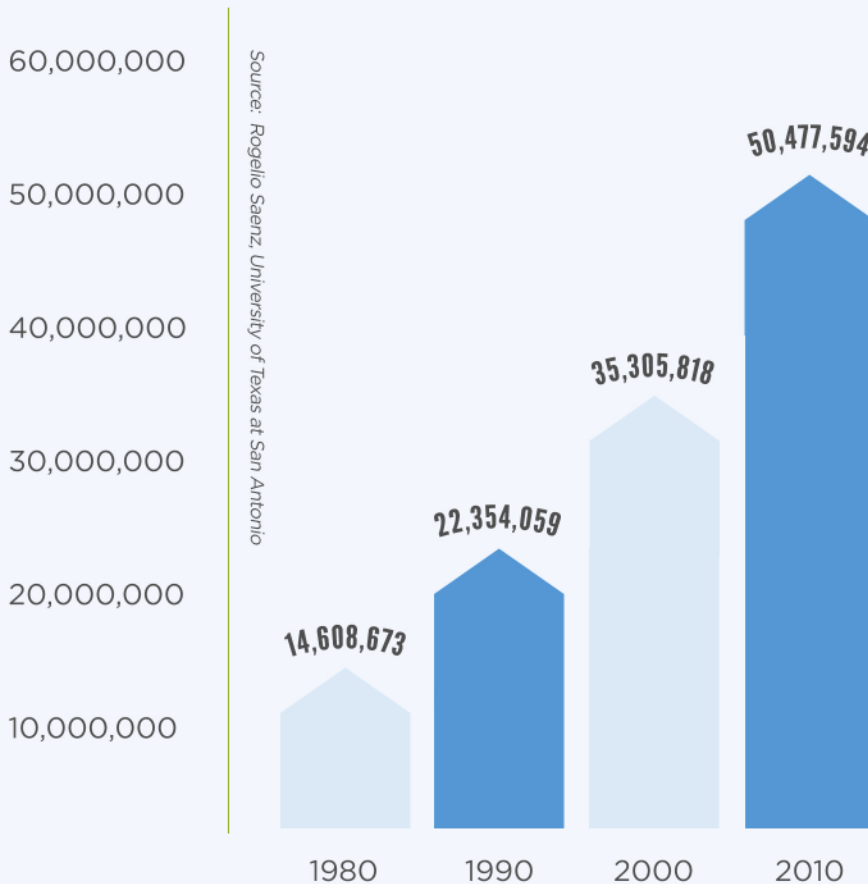
The data in this report clearly shows that in terms of household growth, economic means and individual desire, **Hispanic homebuyers are poised to drive homebuyer activity in America for the next generation and beyond.** The fulfillment of this scenario will largely depend on government policies that support first time homebuyers, continued access to low down payment mortgages and the adaptability of the housing industry to provide the products and services that are relevant to the cultural nuances and economic needs of the Hispanic consumer segment.

## HISPANIC POPULATION & HOUSEHOLD FORMATION TRENDS

The 2012 State of Hispanic Homeownership Report is an analysis of data about the population growth rate, household formation, educational achievements, entrepreneurial endeavors, and workforce profile of the Hispanic community as key indicators of homeownership in the United States. The report examines the demographic trends and dynamics that shape the homebuyer market and documents the rise of Hispanics as a critical force in the housing market.

### HISPANIC POPULATION GROWTH IN RECENT DECADES

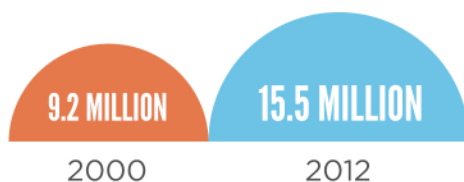
#### POPULATION



The U.S. Hispanic population is now 53 million and makes up 17 percent of the total population. They are expected to contribute more than 60 percent of the nation's population growth over the next five years. The Hispanic population expanded 3.5 times between 1980 and 2010. The number of Hispanic households grew from 9.2 million in 2000 to 15.5 million in 2012, a formidable increase of 68 percent. In contrast, the number of non-Hispanic household formations in the U.S. scarcely grew from 100.1 million in 2000 to 100.8 million in 2012.

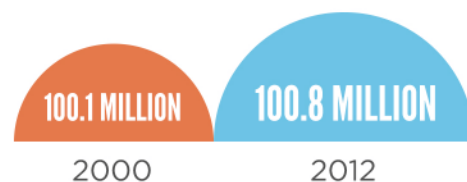
#### HISPANIC HOUSEHOLDS

**68.47% INCREASE**



#### NON-HISPANIC HOUSEHOLDS

**0.7% INCREASE**



According to the National Association of Realtors®, 65 percent of homebuyers are married couples, 39 percent of home sales are made by first time homebuyers, and the median age of home buyers is 31 years. In particular, first time homebuyers are a critical element in a housing recovery because they help existing homeowners to sell and make a trade into a different property.<sup>1</sup>

With a median age of 27, the Hispanic population is 10 years younger than the total U.S. median age of 37 years. In particular, Hispanics are heavily represented in the 26 to 46 age range involved in most home sales. Additional data regarding household composition and size is suggestive of a causal relationship between those factors and the drive toward homeownership:

## HISPANIC HOUSEHOLDS ARE



- 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, 50,000 young Hispanics reach the age of 18 every month, and a Hispanic youth turns 18 years old every 30 seconds. As a young population group, Hispanics are moving into the suburbs or into counties near major metropolitan areas in search of lower costs of living and better job opportunities. Because of their mobility, Hispanics have been revitalizing economically-distressed areas, reviving decaying commercial districts, and rejuvenating rundown 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 in 2010 to 2020 are expected to be Hispanic. All of these demographic and cultural characteristics make Hispanics ideal homebuyers in the housing market. In fact, Hispanics are expected to comprise half of all new homebuyers by 2020.<sup>2</sup>

# ● THE ROLE OF HISPANICS IN THE NATION'S ECONOMY

## ● THE EMERGENCE OF HISPANICS AS A DOMINANT CONSUMER FORCE IN AMERICA

Public awareness of Hispanics as an emerging consumer force in America reached a tipping point with the 2012 presidential election. The power of the Hispanic vote brought into focus, the size, scope and impact of the community on American life. In truth, Hispanic America was already a dominant economic force in the U.S. market well before the election. **As Forbes Magazine<sup>3</sup> characterized it: If Hispanic America was a separate nation it would rank as the world's ninth largest economy.** Recently Hispanics have made significant gains on these fronts:



### LABOR FORCE

Hispanic job gains have accounted for more than half of total U.S. job growth over the past 11 years. Hispanics are expected to drive the growth of the nation's labor force through the next four decades.<sup>4</sup> The nation's rate of labor force participation was 63.6 percent in December 2012. In contrast, the rate was 65.9 percent among Hispanics, more than two percentage points higher. The rate of Hispanic unemployment is now only 9.6 percent, way below its peak level of 13 percent in 2009.<sup>5</sup>



### ENTREPRENEURSHIP

There are now more than three million Hispanic-owned businesses in the U.S. that contribute in excess of \$465 billion to the American economy each year. Hispanics are currently starting new businesses at a rate three times faster than the national average. Today, Hispanics own one out of every 20 businesses in the U.S.



### EDUCATION

Hispanics are now the largest minority group on the nation's college campuses. In 2011, the number of 18- to 24-year-old Hispanics enrolled in college exceeded two million and reached a record 16.5 percent share of all college enrollments. The number of Hispanics with a bachelor's degree nearly doubled, rising from 2.1 million to 3.8 million from 2000 to 2011.<sup>6</sup> Overall attainment for Hispanic college graduates rose from 11 percent to 14 percent during this time period. The number of Hispanics with doctorates rose from 10 percent to 13 percent from 1990 to 2010.<sup>7</sup>

Hispanic students graduated from high school at a rate of 71 percent in 2010, a noticeable increase from 2006, when the rate was 61 percent. Nearly half of the young Hispanics who have completed high school are now enrolled in two-year or four-year colleges.<sup>8</sup>



### PURCHASING POWER

The purchasing power of Hispanics is estimated at \$1.2 trillion and projected to grow to \$1.5 trillion by 2015.

Source: Selig Center for Economic Growth, 2010 and NIELSEN Estimates





The significance of these economic gains by Hispanics cannot be overstated. By 2020, Hispanics are expected to make up half of all new homebuyers in the country. Some economists foresee their ability to buy homes will be driven by job growth, educational achievement, income gains and entrepreneurialism. A primary example: Hispanics are projected to account for 7.7 million new jobs by 2020.

Some policymakers now point to the economic strength of the Hispanic community as a central factor in the recovery of the housing market in America. Forward thinking companies are already changing their strategy to reflect this shift. Case in point: D.R. Horton, the nation's largest residential homebuilder, achieved huge profits in 2012 by constructing low-priced homes. Rather than focus on the move-up market, Horton cornered the entry-level market - the market most heavily represented by minority Hispanic and Asian first-time homebuyers.<sup>9</sup>

## ● ROLE OF HISPANICS IN TODAY'S HOUSING MARKET

### ● THE POWERFUL IMPACT OF HISPANICS ON THE HOUSING RECOVERY

Hispanics continue to account for the majority of new homeowners in the United States. In 2012, Hispanics accounted for an increase of 355,000 Hispanic owner households, or an astounding 51 percent of the net growth in minority owner households (693,000). In addition,

*In the 100 largest metropolitan areas in the U.S., there were nearly 1.7 million more Hispanic owners in 2010 than in 2000, a significant growth rate of 51.7 percent. The number of Hispanic households, both renter and owner, also increased significantly during the same time span. In contrast, the number of non-Hispanic White owners increased by 1.2 million, a growth rate of only 3.7 percent.*

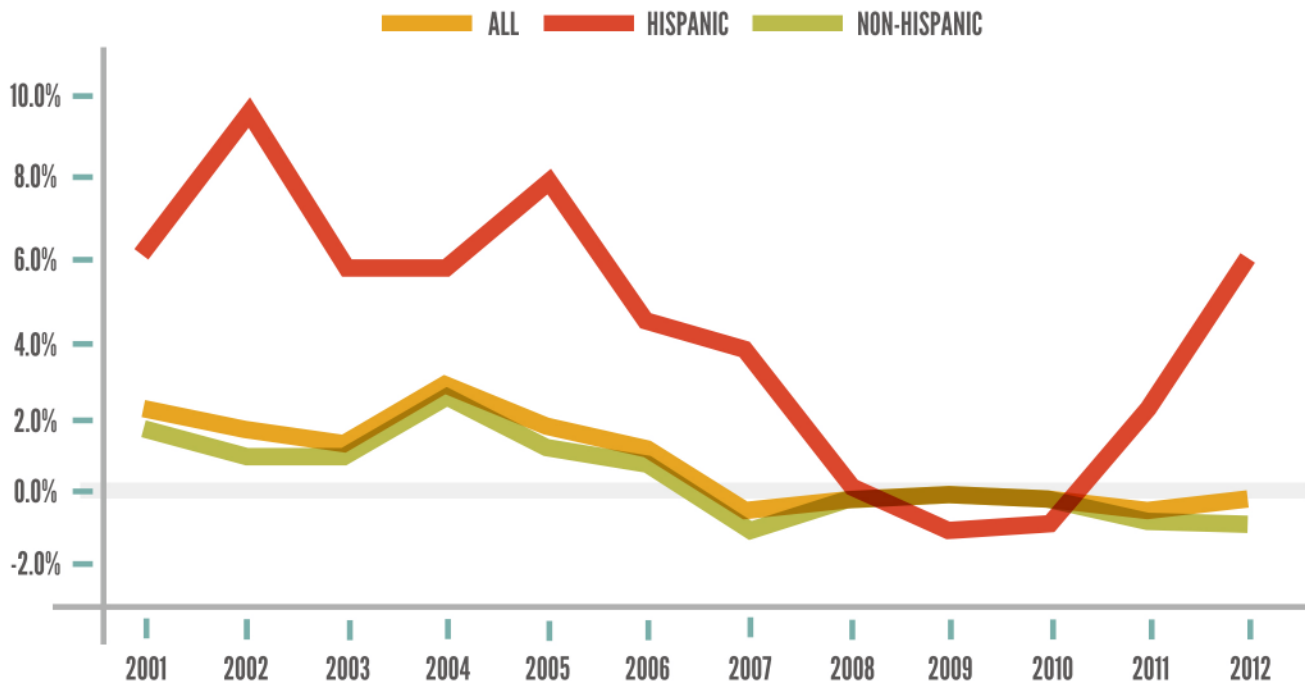
**2000 TO 2010: A SIGNIFICANT GROWTH RATE OF** **51.7 %**  
**HISPANIC HOMEOWNERSHIP**

*Hispanics contributed 37.3 percent of the net growth in all U.S. owner households from 2000 to 2010, with the share of Hispanic homeowners rising from 7.6 percent to 10.4 percent.<sup>10</sup>*

**37.3 %** }  **AMOUNT HISPANICS CONTRIBUTED TO THE NET GROWTH IN ALL U.S. OWNER HOUSEHOLDS FROM 2000 TO 2010**

According to James M. Parrott, senior advisor for the White House National Economic Council, the recovery of the Hispanic community is going to be central to the resurgence of the housing market - just because of the numbers and for essentially economic reasons.<sup>11</sup> Indeed, as the Hispanic share of the U.S. population continues to grow, a substantial increase in demand is being created for building new homes that meet the structural housing needs of large and multi-generational Hispanic families. The National Association of Home Builders calculates that each new home generates as many as three jobs in the economy. Moreover, because housing has historically accounted for an average of 5 percent of the nation's economic output, successfully addressing the resurgent housing demand of Hispanics is paramount.

## Percentage Changes in the Growth of Owner Households in the U.S. from 2000 to 2012



Source: U.S. Census Bureau, Homeownership/Vacancy Data January 2013

**AVERAGE ANNUAL INCREASE FOR HISPANIC OWNER HOUSEHOLDS: 3.9%**  
**AVERAGE ANNUAL INCREASE FOR NON-HISPANIC OWNER HOUSEHOLDS: 0.4%**

### ● HOMEOWNERSHIP: A NATIONAL PRIORITY

Today, sustainable homeownership has become more achievable through the provision of low interest rates: The interest rate for a 30-year fixed mortgage rate loan reached a record low of 3.31 percent in November 2012. Government's role in supporting homeownership through the mortgage market remains critical. FHA, USDA, and VA currently account for four out of every five purchase loans made to Hispanics.

Since the Great Depression, the federal government has recognized the public benefit of an ownership society. Notwithstanding the formidable setbacks of the recent economic crisis, homeownership has been an essential vehicle for many of America's working class citizens to make their way to the middle class. While the country is justifiably reviewing the regulatory framework that led to the crisis, it is not anticipated to waver from its commitment to homeownership as a national priority.

### ● HISPANICS & THE FORECLOSURE CRISIS

The Center for Responsible Lending (CRL) estimates that approximately 1.3 million Latinos have already lost their homes or are at serious risk of losing their homes due to foreclosures.<sup>12</sup> There are a number of factors that created this devastating scenario including abuses in the subprime market, a high rate of unemployment, and loss mitigation efforts that do not adequately address the cultural nuances and language barriers that are relevant to Hispanic borrowers in distress. It is widely believed that the foreclosure crisis has adversely affected Hispanic homeowners more than it has affected any other population group.

To make matters even worse, racial disparities have similarly resurfaced in the way that foreclosed homes are being managed by some mortgage servicers. For example, a recent study found that in many hard-hit communities, foreclosed properties in predominantly White neighborhoods were maintained in a superior manner and thus were “more likely to have neatly manicured lawns, securely locked doors, and attractive ‘for sale’ signs.” However, homes in communities of color received substandard maintenance and consequently “were more likely to have overgrown yards littered with trash, unsecured doors, broken windows, and indications of marketing as a distressed sale.”<sup>13</sup> Because of such disparate treatment, families of color living on blocks with bank-owned houses in visible disrepair have seen their quality of life and property values continuing to deteriorate. NAHREP® encourages servicers and the government agencies to repair foreclosed properties to make them eligible for FHA lending, and to sell the properties to owner occupants whenever possible.

NAHREP has also long advocated for mortgage servicers to work with Hispanic real estate agents in predominately Hispanic neighborhoods. Data has demonstrated that agents that are from the local neighborhood and who speak Spanish typically facilitate a smoother relocation for the former owners and are more likely to sell the foreclosed home to an owner occupant. A 2012 report by the Federal Reserve estimated that the median household wealth for Hispanics dropped by more than 66% in the last five years; more than any other racial group, and largely due to the losses in home equity. Despite all of the loss, surveys show that Hispanics remain passionate about homeownership and believe it provides a higher quality of life.

## ● PROSPECTS & BARRIERS FOR FUTURE HISPANIC HOMEOWNERSHIP GROWTH

### ● FIRST-TIME HOMEBUYERS: KEY DRIVERS OF HOMEOWNERSHIP DEMAND

Consumer optimism, record affordability and a combination of economic and demographic forces continue to stimulate demand and interest in homeownership today. By virtue of their population growth, rate of household formation and purchasing power, Hispanics are expected to drive demand for small starter homes in vibrant, high-density communities.

Likewise, mobility forecasts suggest that 3.8 million baby boomers who want to downsize will create further demand for compact, lower-cost homes in this decade. Some builders are already creating products that meet the shifting demand and needs of these consumer segments who want homes with enough space to accommodate parents, adult children or tenants.<sup>14</sup> These new floor plans feature a second, self-contained unit with its own entrance, bathroom and kitchenette – a development that meets both the short- and long-term needs of many Hispanic households.

Sustained job gains, a tighter housing supply and rising rents, continue to fuel a sense of urgency and confidence among potential homebuyers, especially in markets that were less susceptible to steep price decreases and foreclosures.<sup>15</sup> In particular, Hispanic buyers are showing more confidence about homeownership and are entering the market at healthy levels. Access to housing counseling, better disclosures on loan costs and availability of affordable sound credit have helped to embolden them.

Bargain home values, record low interest rates and lower property taxes are enticing more move-up buyers as well. Right now, as many as one in nine homeowners say they would sell their homes but are holding off until home values increase. As home values rise, more of these homeowners will sell their homes and thereby stimulate existing home sales.

## ● HOUSEHOLD FORMATIONS DRIVING THE DEMAND FOR HOMEOWNERSHIP

Minorities and immigrants will drive household formations over the next two decades because of fertility rates and past inflows, according to Harvard's Joint Center for Housing Studies. They are part of the echo boomer generation whose sheer size, age and diverse make up ensure strong household growth in the years to come.

At 84.7 million strong in 2010, the echo-boomer generation is larger than the baby boom generation at similar ages, with the oldest echo-boomers now past 25 years old and beginning to form their own households.<sup>16</sup> Hispanics make up 20 percent of the echo boomer generation. About 14 percent of echo boomers, mostly Hispanic, were born outside the U.S., and another 11 percent are U.S.-born children with at least one immigrant parent.<sup>17</sup>

U.S.-born children of immigrants have increased the size of the echo-boom generation significantly. They comprise the highest share of "second-generation" individuals in the last 100 years. Their large number bodes well for the future of housing since these householders typically have higher household incomes than both foreign-born and other native-born households.

Hispanics, in particular, will stimulate demand for condominiums, smaller starter homes, first trade-up homes, and the estimated 11 million housing units that will become available between 2010 and 2020 as baby boomers retire. Owner-occupied homes will account for about 80 percent of the released units, and most are expected to be single-family detached dwellings.<sup>18</sup>

Steady gains in education, income, and entrepreneurship are also expected to help propel thousands of Hispanics into the middle and middle-upper markets for housing. Specifically,

- Hispanics are expected to account for 40 percent (5 million) of an estimated 12 to 14 million net new households within the next 10 years.
- As many as 15 million new households can be formed by 2020 if market conditions are more favorable to homeownership than they are today.
- A higher rate of household formation can also occur if the number of immigrants increases and becomes great enough to help meet critical U.S. labor needs and to grow the economy.



Trends that would help facilitate this include: rising levels of education and income among echo boomers; the aging and assimilation of immigrants whose arrival in the U.S. peaked in the early 2000s; and an increase in children with immigrant parents as a share of all racial and ethnic minorities.<sup>19</sup>

## ● BARRIER: ACCESS TO LOW DOWN PAYMENT AFFORDABLE MORTGAGES MAY BE AT RISK

Half of all Hispanic homebuyers are first time buyers. Access to safe, sound, and affordable conventional mortgages is critical to the continued growth in Hispanic homebuyer activity. With Fannie Mae and Freddie Mac in receivership and the private label market fundamentally non-existent, FHA has carried the market in terms of owner-occupant purchase money transactions.

However, with data indicating that the FHA program may be under financial strain, there is additional pressure on HUD to make additional changes to tighten FHA underwriting guidelines. **The outcome of these decisions will have a profound impact on Hispanic homeownership.**

In recent congressional testimony, Dave Stevens, former FHA commissioner and current MBA President, stated the following: “FHA has never played such an important role in the housing market,” Stevens said, “Today, FHA is virtually the sole source of mortgage finance for borrowers with low down payments and those without high incomes or large amounts of inherited wealth. Many of these are first-time homebuyers, young families looking to put down roots in a community, and a segment that must be served if we are going to grow our economy and sustain the housing recovery.”

*NAHREP has drafted a policy position document on its concern about the possible changes to FHA lending guidelines. A copy of that portion of the document is in the appendix of this report.*

## ● **BARRIER: INVENTORY SHORTAGES IN KEY MARKETS**

A shortage of single-family inventory is the most significant current barrier to Hispanic homeownership in the short term. In most major markets, inventory is at its lowest levels in decades. Underwater households that represent thousands of potential sellers are unable to sell because their home sales proceeds are not enough to pay off existing liens.

Bulk sales to institutional investors have also impacted residential inventory levels. The growing volume of foreclosed properties sold at auction, through bulk sale and trustee sales have added to a market dynamic in which owner occupant buyers are unable to compete. Many large holders of foreclosed properties prefer investor transactions to owner occupant sales because they generally are all-cash deals. Property disposition strategies that favor investors over owner occupants, however, can transform neighborhoods and undermine community stabilization. According to Errol Samuelson, Realtor.com president, homebuyers are coming to market but are unable to find properties due to the limited number of houses for sale. **“We’re hearing anecdotally, when you talk to real estate agents on the ground, that they have buyers but they simply cannot find inventory for them,”** he said. “When something does come on, the time on market is short, [as few as] 27 days in some areas.”

Some housing activists are crying foul over the investor-driven recovery in housing. According to Llyce Glink from CBS MoneyWatch: “Investors are taking away homes from people who otherwise would be able to buy an affordable property. Investment firms also act as a ready buyer for banks that opt for foreclosure and short sales over loan modifications that would keep homeowners in their homes. Instead, these investors are setting up a new rental market, which could mean transience where there was once stability in neighborhoods across the country. Instead of people building equity in a home they secured at an inexpensive price, with some of the cheapest mortgage interest rates in history, these renters are pouring money back into the hands of investors while they struggle to purchase a home they can call their own. **If this is the case, the housing recovery as it appears today could be nothing more than a mirage.”**

*NAHREP has drafted a “Call to Action” for policy makers on this issue. A copy of this document is in the appendix of this report.*

## ● CONSUMER ATTITUDES

### ● UNWAVERING ATTITUDES ABOUT HOMEOWNERSHIP

Today a majority of U.S. young adults are renting or living with their parents, relatives or roommates. The proportion of young adults (ages 18-34) who live in a household headed by their parents increased by two million from 28.2 percent in 2007 to 31 percent in 2011. Meanwhile the share of individuals ages 18-34 who headed owner-occupied households declined from 40 percent prior to the recession to 36 percent in 2010, a trend that has continued to this day.<sup>20</sup>



Most of these young households still want to buy a home, according to numerous polls. In particular, Hispanics are generally more upbeat about the prospects for better days ahead. In a 2012 poll, the Pew Hispanic Center found that two-thirds (66 percent) of Hispanics said they expected their children would eventually enjoy a standard of living that is better than theirs is now. In contrast, just 48 percent of the general public said the same. **Even though they suffered the greatest losses in the foreclosure crisis, three-in-four Hispanics agree that buying a home is the best long-term investment a person can make in the U.S.**<sup>21</sup>

In another survey conducted by the Pew Hispanic Center in November 2012, three-fourths (73 percent) of Hispanics said they expected their financial situation to improve over the next year, compared with 67 percent of the general population who said the same. Hispanics ages 18 to 29 were the most optimistic about the next year, with eight-in-ten (81 percent) saying they expected their finances to improve. Finally, more than half of all Hispanics (51 percent) expressed satisfaction with the direction of the country, compared with just 31 percent of the general public who said they were satisfied with the way things were going.<sup>22</sup>

A national housing survey that was released by Fannie Mae in March 2012 offered more insights about Hispanic attitudes about homeownership. Specifically, the survey found that:

- 67 percent of Hispanics said that a major reason to buy a home was that it was a good retirement investment, compared to 54 percent of all Americans.
- **56 percent of Hispanics said that a major reason to buy a home was that it represented a symbol of success or achievement, compared to only 32 percent of all Americans.**
- 53 percent of Hispanics said that a major reason to buy a home was that the equity wealth accumulated could be borrowed against if needed, compared to 34 percent of all Americans.
- 66 percent of Hispanics said that a major reason to buy a home was because it allowed them to live in a more convenient location closer to work, family, or friends, compared to 55 percent of all Americans.<sup>23</sup>

#### MAJOR REASON TO BUY A HOME



VS.



## ● SERVING HISPANIC CONSUMERS

### ● THE ROLE OF LANGUAGE, ORIGIN & CULTURE

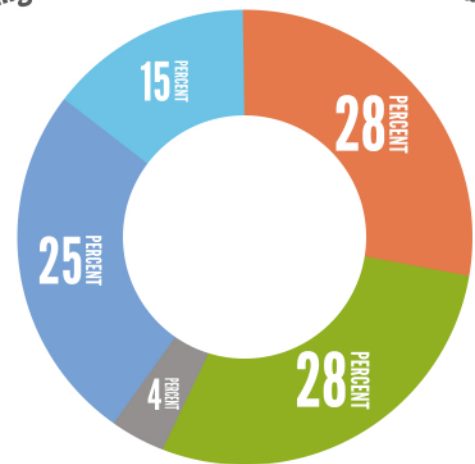
The U.S. Hispanic market is made up of numerous diverse and distinct Hispanic origin groups. Most Hispanics share some common traits but, by and large, still retain strong identification with their origin group.

The largest Hispanic origin groups include Mexicans, Puerto Ricans, Cubans, Salvadorans, Dominicans, Guatemalans, Colombians, Hondurans, Ecuadorians, and Peruvians – and make up 92 percent of the total U.S. immigrant and native-born Hispanic population (50.7 million). Approximately 12 million Mexicans reside in the U.S. and are by far the largest Hispanic population group (36 percent) in the country. The top six Hispanic population groups have populations greater than 1 million.<sup>24</sup>

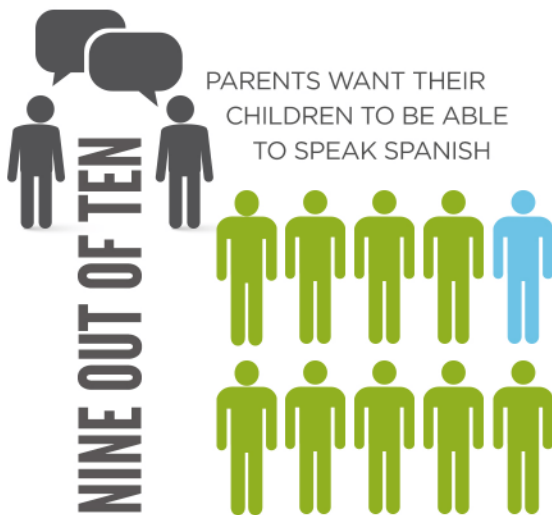
These Hispanic origin groups are not only distinct and diverse but also differ in their geographic concentration. The nation's Cuban population is the most concentrated with nearly half (48 percent) residing in Florida's Miami-Dade County. Miami-Dade County is also home to the nation's largest Colombian, Honduran and Peruvian communities. Mexicans, Salvadorans and Guatemalans, are concentrated in Los Angeles County. The largest Puerto Rican and Dominican communities are in New York's Bronx County. The largest Ecuadorian community is in Queens County, New York.<sup>25</sup>

Their distinctions are culturally rooted and their preferences motivated by origin. One size does NOT fit all. While Hispanics are indeed becoming part of America's melting pot, their attachment to language and culture remains. Their identification with their "Hispanicness" is strong and influences the way they want to receive and exchange information and buy goods and services. A recent report by Nielsen on the U.S. Hispanic consumer characterized this as cultural sustainability.

Language Usage Amount U.S. Hispanic Adults



● Only Spanish     ● Only English  
● Mostly English     ● Mostly Spanish  
● Spanish & English Equally



For example, a 2011 national survey uncovered these trends that point to retro acculturation, pride and public acceptance:

- Nine out of 10 Hispanic parents and parents-to-be want their children to be able to speak Spanish, even though they also want them to become fluent in English.
- Hispanic adults say they want to be more Hispanic (31 percent) or bicultural (60 percent) than they are now, they like telling people from other cultures about being Hispanic.
- According to Census data, 72 percent of intermarried parents (one Hispanic, the other non-Hispanic) classified their children as Hispanic in 2011, compared to only 35 percent who did so in 1991.

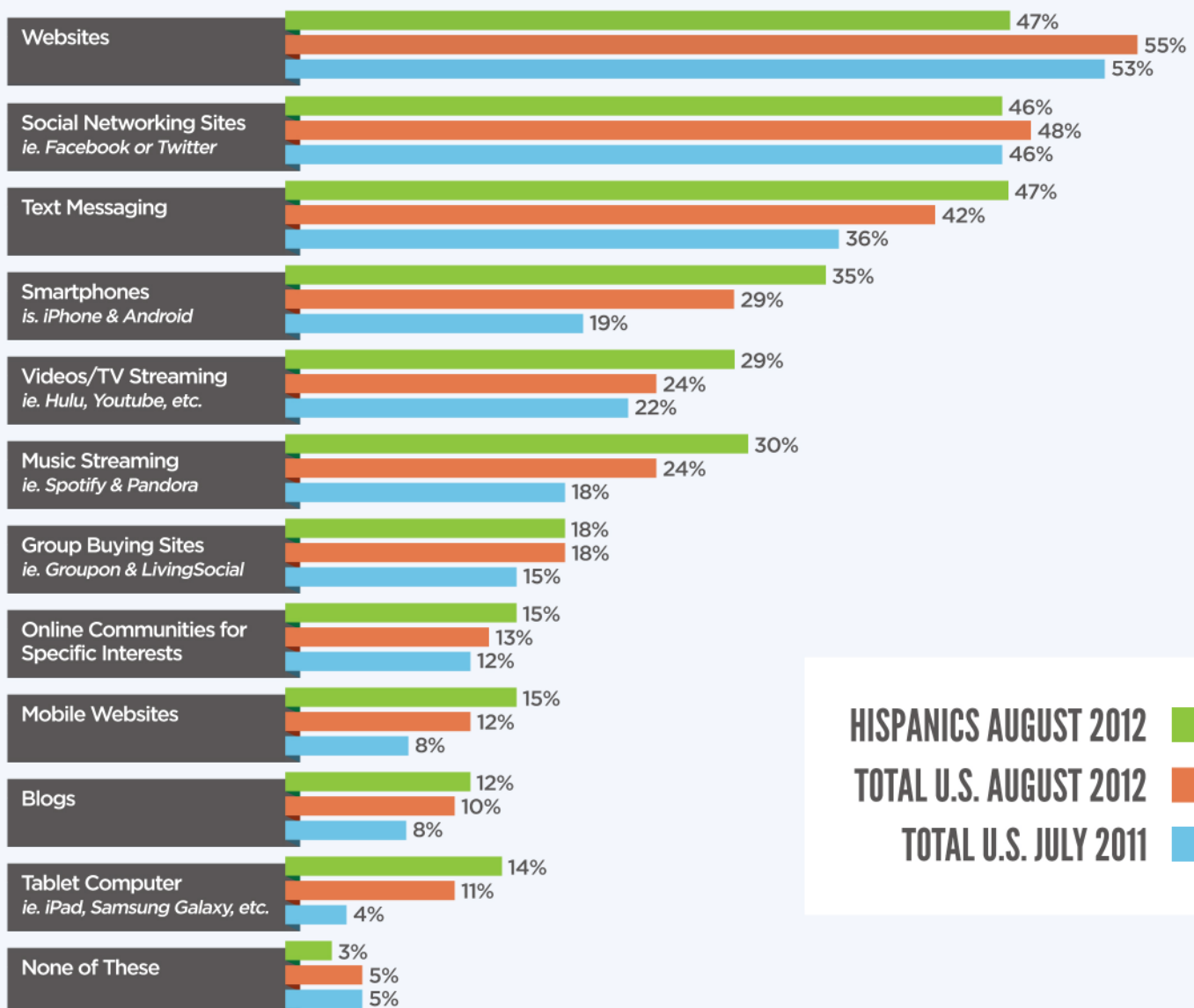
The take away here is that culture, language and group origin influence preferences in transactions with Hispanics, including the home-buying process.

## ● HISPANIC CONSUMERS & DIGITAL TECHNOLOGY

Hispanics are early adopters of technology and heavy users of digital and social media including streaming video, social networking, text messaging, mobile websites, tablets, smartphones and mobile apps, according to a 2012 report by Univision.<sup>26</sup> They are more likely than the general population to use new technology such as smartphones and tablets to access the Internet, 50 percent versus 34 percent respectively.

These trends are central to their shopping habits for other goods and services and are likely to translate to the home-buying experience as they become more active in the housing market.

### WHAT ONLINE OR INTERACTIVE TOOLS DO YOU USE REGULARLY?



**HISPANICS AUGUST 2012** ■  
**TOTAL U.S. AUGUST 2012** ■  
**TOTAL U.S. JULY 2011** ■

Source: Univision Communications



## ● THE POTENTIAL IMPACT OF IMMIGRATION REFORM

In 2004, NAHREP commissioned a study to evaluate the potential impact of Individual Taxpayer Identification Number (ITIN) loans. Mortgages made to individuals without social security cards, but who had a government issued ITIN. The study assumed that most of these potential mortgage consumers did not have legal immigration status in the U.S. and took into account a number of data points including average incomes and typical household demographics. At the time, the report estimated that ITIN lending could add a \$44 billion boost to the mortgage market.

In an effort to gain favor with the growing Hispanic electorate, policy makers on both sides of the aisle are now expressing support for immigration policy reforms that include legal status for the 10-12 million Hispanics currently living in the U.S. without status. The total number of households that would be affected by providing legal status for these individuals is unclear but it would likely be in excess of 6 million. Just how many of these households would be in a position to purchase a home is also unclear but considering that recent Census data indicates that 52 percent of foreign born householders owned their home in 2011, it is likely that immigration reform could generate 3 million new Hispanic homebuyers over the next several years. The Mortgage Bankers Association is already projecting that both native born and immigrant Hispanics will achieve a 50 percent rate of homeownership by the year 2020. Immigration reform combined with increases in the minimum wage and continued educational, job, and entrepreneurial gains, could lead to well over a majority of Hispanics becoming homeowners by the end of the decade.

## ● CONCLUSIONS

Hispanics are emerging as a consumer powerhouse. Their impact at the ballot box and in the U.S. marketplace is on the rise. This is only the tip of the iceberg. As demographic and economic forces converge, Hispanics will inspire and drive market trends. Currently, Hispanics are leading the nation's post-recession housing recovery, a factor considered by many top economists to be the key to U.S. economic prosperity over the next 30 years.

The real momentum is yet to come, however. The new measurement of Hispanics influence on the housing economy will eventually be quantified in the total number of housing units they buy rather than the rate of homeownership, the traditional metric of growth.

But will the market welcome these new buyers? Or will it allow barriers, challenges, and unfriendly regulations to inhibit their chance buy a home in an era of historic affordability? In truth, the potential of this market can only become a reality if we, as a nation, strike a balance in housing policy and create safe financial products that foster sustainable homeownership.

The opportunity at hand is not only an economic imperative for America, as a nation, but also a turning point for a new generation of homeowners who have a chance now to become an integral and vital part of America's middle class.

## ● END NOTES

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## ● NAHREP® POLICY STATEMENT ON FHA

The recent collapse of the housing market would have been far worse had Federal Housing Administration (FHA) lending not existed. Without a strong FHA, property values would have depreciated further and home equity for many more middle class Americans would have evaporated. While the market is finally beginning to stabilize, private lending is virtually non-existent and qualifying for a conventional loan is far more difficult than ever before. Last year, Hispanic families purchased more than 500,000 homes in America. Forty-nine percent (49%) of these new homeowners relied on FHA to finance their purchase. Hispanics are expected to account for 40 percent (~5 million) of an estimated 12 to 14 million net new households within the next 10 years. FHA financing can facilitate home purchases for a large percentage of these households, stabilizing our housing market and strengthening our economy.

The National Association of Hispanic Real Estate Professionals® (NAHREP®) is in favor of changes that are necessary to support the health and solvency of the FHA fund. However, actions to excessively reduce the availability and affordability of FHA loans solely to reduce the FHA market share could cause unnecessary damage to the fragile real estate market and undermine the recovery of our nation's economy. During the past five years, the FHA program has done precisely what it was created to do: provide safe, affordable mortgage loans for deserving families who otherwise would never have had the chance to own their piece of the American dream. NAHREP urges policy makers to continue to make sustainable homeownership a national priority by ensuring that FHA preserves its critical role to America's homeowners.

## ● NAHREP CALL TO ACTION

There has never been a better time in recent history to buy a home in the United States. Demand for homes by families with the means and desire for homeownership is stronger than it has been in years. However, Hispanic homeownership growth is threatened by large investors controlled housing markets, and the unintended consequences of government and corporate policies, like the REO to rental program, that remove affordable housing stock from the owner-occupied market. This not only affects aspiring Hispanic homeowners attempting to achieve their long term financial goals, but also limits the ability for these potential buyers to provide desperately needed economic stimulus to the American housing market. To combat these issues, NAHREP calls upon government policymakers and loan servicers to pursue policies that enhance, not reduce, the availability of affordable homes for sale in markets where shortages exist.

## ● THE ISSUES FACING PROSPECTIVE HISPANIC HOMEBUYERS

Given the current political and economic climate, a lack of affordable housing inventory is the most significant barrier to Hispanic homeownership in 2013. **With interest rates at their all-time record low and price points as low as they are in most markets, home purchases are more affordable than they have been in decades.** In other words, there has never been a better time from a financial standpoint to purchase a home.

However, despite the financial opportunity, fewer owner-occupants are purchasing homes today than in decades. In 2012, almost 50% of all homes purchased for \$250,000 or less were purchased by investors. Large investors and Wall Street firms have collectively purchased several hundred thousand single-family homes over the last two years.<sup>1</sup> The majority of these Wall Street acquisitions were purchased through alternative dispositions such as auctions, bulk sales and drop-bid trustee sales<sup>2</sup> that are unavailable to owner occupant buyers. Most of the so called “specialty mortgage servicers” in the market are not regulated and generally exclusively use alternative disposition strategies to sell their foreclosed properties. **Many of these are owned by the same Wall Street firms that are buying thousands of residential properties across the country.**

The massive increase in note sales and servicing rights from government agencies and Office of the Comptroller of the Currency (OCC) regulated institutions to specialty mortgage servicers is accelerating the investor buying spree of both foreclosed properties and short sales. Agents in many of the hardest hit residential markets such as Phoenix, Miami, Las Vegas and Sacramento uniformly cite a lack of single-family inventory is driving property price appreciation at pre-crash rates.

1. Bloomberg. “Billionaire Hughes Chasing Blackstone as U.S. Rental King” [www.bloomberg.com/news/2013-02-13/billionaire-hughes-chasing-blackstone-as-u-s-rental-king.html](http://www.bloomberg.com/news/2013-02-13/billionaire-hughes-chasing-blackstone-as-u-s-rental-king.html)

2. A drop-bid trustee sale is when a bank or the foreclosing party sells a property at trustee sale for less than the unpaid principal balance.

For instance in 2012, Fannie Mae sold 550 foreclosed homes in the Phoenix, AZ area through its REO to rental pilot program. As a result, Maricopa County (Phoenix area) experienced a 33% increase in median home prices in 2012. **More than 90% of all foreclosed homes in the Phoenix area in 2012 were sold to investors when agents in that market report having 10 fully qualified home buyers for every home listed in the market by an agent.** Agents in almost every major market including Las Vegas, Miami, Sacramento, Los Angeles and the California Inland Empire report similar figures.

## MARICOPA COUNTY

KEY METRICS	Q3-2012	1-YEAR CHANGE
Median Sales Price	\$153,000	+ 33.0%
Average Sales Price	\$202,583	+ 27.8%
Pct. of List Price Received	100.2%	+ 1.8%
Homes for Sale	17,988	- 19.3%
Closed Sales	18,815	- 16.3%
Months Supply	2.7	- 6.7%
Days on Market	45	- 32.3%

Source: At Home in Scottsdale Real Estate. [www.athomeinscottsdale.com](http://www.athomeinscottsdale.com)

As a result, homebuyers are facing unsustainable or artificial price increases. **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. **Hispanics and other minority families are disproportionately affected in this manner and have lost more than two-thirds of their household wealth in the last five years primarily because of predatory lending products and home price depreciation.** 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

We at NAHREP believe homes should be sold organically and individually 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 investors and Wall Street firms such as auctions, bulk sales and “drop-bid” trustee sales should be discontinued in markets where there is strong demand for residential properties.

## ● NAHREP BELIEVES THESE ISSUES CAN BE ADDRESSED IN SEVERAL WAYS

- NAHREP believes that communities are best served when single-family residences, and especially REO properties, are sold to owner-occupants.
- NAHREP supports disposition strategies like “First Look” that provide owner-occupants a reasonable early opportunity to purchase foreclosed homes.
- NAHREP encourages the Obama Administration to adopt a policy that recognizes the importance of selling foreclosed single-family residences to owner-occupants whenever possible.

## ● NAHREP BELIEVES THESE ISSUES CAN BE ADDRESSED IN SEVERAL WAYS (continued)

- NAHREP encourages the OCC to track and publish owner-occupancy sale percentages on bank foreclosed properties and should include:
  1. Foreclosed homes sold by non-OCC regulated servicers who purchased the servicing from an OCC regulated bank.
  2. Homes sold at trustee sale for less than the unpaid principal balance.
- NAHREP encourages the Department of Housing and Urban Development (HUD) to require foreclosed properties on notes that have been sold through the Distressed Asset Stabilization Program follow the same “First Look” policies the Federal Housing Finance Agency (FHFA) disposition protocols require.
- NAHREP encourages the FHFA to discontinue the REO-to-rental program in all areas that experienced home price appreciation in 2012 or where home listing inventories are below historic levels.
- The FHFA should set a goal for Fannie Mae and Freddie Mac that establishes a minimum amount of REO properties that are sold to owner-occupants. Specifically, the minimum amount of REO sales to owner-occupants should be the lesser of 65% of the enterprise’s local REO inventory, or the current owner-occupancy ratio in the local market. This is a reasonable and attainable goal considering that approximately 95% of Fannie Mae and Freddie Mac loans were originally made to owner-occupants.

We believe 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 housing market.





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