



2014

**STATE OF HISPANIC
HOMEOWNERSHIP REPORT**



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Editor: Gary Acosta, Co-Founder & CEO, NAHREP

Authors: Alejandro Becerra & Marisa Calderon

Contributors: Zaba Rashan & Nayeli Pelayo

Special acknowledgements and thanks: Mark Hugo Lopez, Jeffrey Passel and the Pew Research Center

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591 Camino de la Reina, Suite 720
San Diego, CA 92108
TEL: 858-622-9046
www.nahrep.org

The National Association of Hispanic Real Estate Professionals® (NAHREP®) 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 homebuyers 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 NAHREP and the NAHREP® NAHREP Foundation.

[Executive Summary]

The 2014 State of Hispanic Homeownership Report™ (SHHR™) is a publication of the National Association of Hispanic Real Estate Professionals® (NAHREP®) and the NAHREP Foundation.

In this fifth installment, the report highlights 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.

This year's edition also analyzes data sets over broader periods of time to provide a comparative analysis of this past year and of historical data. Because the Hispanic market is more than just a collection of individual consumers with discrete market-specific behaviors, the association evaluates research from within and outside of the housing industry. This holistic approach to analysis of trends, motivators, and other data is key in identifying barriers that impede homeownership, and market factors that can foster an environment for homeownership gains.

Hispanic Homeownership Growth The Numbers

YEAR	RATE OF HOMEOWNERSHIP percent	NUMBER OF HISPANIC OWNER HOUSEHOLDS units	ANNUAL CHANGE IN THE NUMBER OF HISPANIC OWNER HOUSEHOLDS unit change
2000	46.0%	4,242,000	
2001	47.3%	4,497,000	+255,000
2002	47.0%	4,912,000	+425,000
2003	46.7%	5,172,000	+260,000
2004	48.1%	5,448,000	+276,000
2005	49.5%	5,852,000	+404,000
2006	49.7%	6,095,000	+243,000
2007	49.7%	6,303,000	+208,000
2008	49.1%	6,319,000	+16,000
2009	48.4%	6,253,000	-63,000
2010	47.5%	6,196,000	-56,000
2011	46.9%	6,321,000	+125,000
2012	46.1%	6,668,000	+347,000
2013	46.1%	6,756,000	+88,000
2014	45.4%	6,810,000	+54,000

Table A. Hispanic homeownership rate and total owner households from 2000 through 2014.

The Hispanic homeownership rate is the percentage derived from owner households in comparison to the total number of overall households.

Hispanic Homeownership Growth

Hispanics achieved modest gains in net new owner households this past year. However, the number of net homeownership gains for Hispanics has slowed over the past three years from an increase of 347,000 in 2012 to a much smaller increase of 54,000 in 2014.

In the last year the rate of homeownership for Hispanics has dropped from 46.1 percent in 2013 to 45.4 percent in 2014. The decrease was due in part to the growth in Hispanic household formations. While the net growth of owner households was positive, total household formations grew at a faster pace causing the overall drop in the Hispanic homeownership rate.

Prior to the Great Recession, Hispanics were outpacing the national average in homeownership gains. From 1994 to 2005 the national homeownership rate increased by five percent but Hispanics gained nearly seven percent over that same period of time.

From 2000 to 2014, Hispanics accounted for 50 percent of the net growth of overall owner households in the country. A 2014 study by the Urban Institute projects that Hispanics will account for 55.5 percent of new homeowners from 2010 to 2020. The report also suggests that even higher Hispanic homeownership growth could be achieved under a stronger economy and policies that expand credit to lower- and middle-income Hispanics.

Hispanic Population Trends and Household Formations

Looking forward, the Hispanic population is expected to reach nearly 120 million in 2050, more than double what it is today. Since 1970, the Hispanic population has grown 592 percent. By comparison, the U.S. population overall has grown 56 percent over the same period. Between 2000 and 2010 alone, Hispanics made up more than half of U.S. population growth.

Between 2013 and 2014, several states experienced substantial increases in Hispanic populations including Texas (451,000) California (371,000), Florida (293,000), and Georgia (103,000), which had the fourth largest net growth of Hispanics in the country.

Household formation growth is one of the most important predictors of potential homeownership gains. In 2014, the number of Hispanic households grew by 320,000, accounting for 40 percent of total U.S. household formation growth in that year alone. Hispanics hold the largest share of household growth for any racial or ethnic population group in the country and are expected to account for seven million of the nation's 17 million new households between 2010 and 2025. In terms of household composition, Hispanic households are more likely to be comprised of married couples

with children. Hispanic households are also more likely than non-Hispanic households to have a multi-generational component where parents reside with their adult children.

Employment and Income

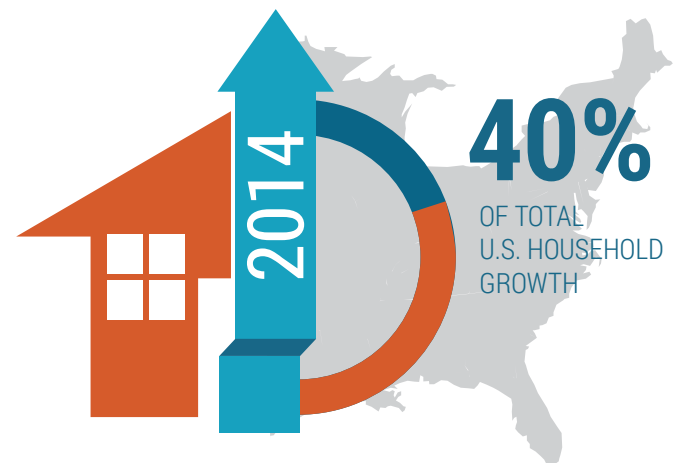
Hispanics continue to drive the growth of the nation's workforce. Between 2000 and 2014, Hispanics accounted for 65 percent of the growth in the U.S. labor force. Nearly one million young U.S.-born Latinos enter adulthood each year, contributing to Latino labor force and U.S. labor force growth.

In 2013, Hispanics were the only major population group to lower their poverty rate and boost their annual household income, which grew by 3.5 percent. The annual median household income of Hispanics jumped 3.5 percent, up from \$39,600 in 2012 to \$41,000 in 2013, while their poverty rate fell more than two percentage points to 23.5 percent. In 2013, 57 percent of Hispanic households earned over \$40,000, 41 percent earned over \$50,000, and 13 percent earned over \$100,000.

The purchasing power of Hispanics is \$1.5 trillion, roughly equal to that of Canada. It is projected to grow to \$2.0 trillion by 2020.

HISPANIC HOUSEHOLDS GREW

+320,000



In 2014, the number of Hispanic households grew by 320,000, accounting for 40% of total U.S. household growth.

Origin: U.S. Census Bureau

HISPANIC PURCHASING POWER



Origin: Nielsen & Selig Center for Economic Growth

Homeownership Barriers and NAHREP Agent Survey

According to a survey of 100 of the leading Hispanic real estate agents in the country, nearly 60 percent said that tighter mortgage credit was the most significant barrier to Hispanic homeownership. Respondents ranked "affordability" as the second most significant barrier. NAHREP Agents also cite inventory shortages as being a leading barrier to Hispanic homeownership driven by underwater homeowners, Zombie foreclosures, and modest levels of new construction.

In 2014, the Consumer Financial Protection Bureau implemented the Qualified Mortgage (QM) rule as well as new rules for mortgage servicing and loan officer compensation. The new rules are designed to enhance consumer protection in the mortgage market. However, industry organizations and housing advocates have expressed concern about their effect on credit availability especially for minorities and other underserved markets. While the collection of data is still very early, lenders report that the new rules have created a formidable increase in their cost to originate mortgages which is being passed on to consumers.

Conclusion

The story for Hispanic homeownership in 2013 was that homeownership growth was positive but lower than in previous years due primarily to a shortage of affordable housing inventory and competition from cash investors. In 2014, the story was similar, however access to reasonably priced low down payment mortgages was most likely the primary reason for the modest homeownership gains. The positive news is that population growth, income trends and consumer attitudes continue to support a highly optimistic outlook for Hispanic homeownership.

The Hispanic population is now widely recognized as the key driver for growth in the overall housing sector. Accordingly, the barriers that are impeding Hispanic participation in homeownership have a substantial impact on all segments of the housing industry. Perhaps the most concerning data point of 2014 was that first time home buyers represented the smallest percentage of overall home sales (33 percent) in any year since 1987. Most housing experts believe that a healthy and sustainable housing market would need that number to be closer to 40 percent. Despite the challenges, Hispanic real estate agents expect 2015 to be a breakout year, with 65 percent of the top agents surveyed forecasting a stronger year for Hispanic homebuyers.

Consumer Attitudes and Buyer Nuances

Hispanics still maintain strong enthusiasm for homeownership. Nearly half of Hispanic renters (48 percent) say now is a good time to buy a home, however concerns over qualifying for a mortgage are discouraging some buyers from moving forward with a purchase transaction.

Of those who did make home purchases in 2014, Millennials represented the largest group with 32 percent of all buyers.¹ Hispanics make up 25 percent of U.S. Millennials.²

Thirteen percent (38 million) of people in the United States now speak Spanish. This is an increase of 121 percent since 1990. Nearly 60 percent of U.S. Spanish speakers also speak English "very well".³

[Section 1]

Hispanic Population and Household Formation Trends

The 2014 SHHR™ examines developments in population growth, household formation, educational advancement, labor force profile, and other demographic data collected from the Latino community to serve as key indicators in homeownership. Past and present demographic trends provide a forecast on the role Latinos play in the future of the housing market. “Hispanic” is a term generally used to refer to individuals of historic Spanish ancestry and used broadly by the Census Bureau or other government entities for purposes of demographic analysis. “Latino” is generally recognized as a cultural moniker used primarily by members of the community to which it refers. Throughout the report the terms “Hispanic” and “Latino” are used interchangeably, since the community represented by the terms also use them in this way.

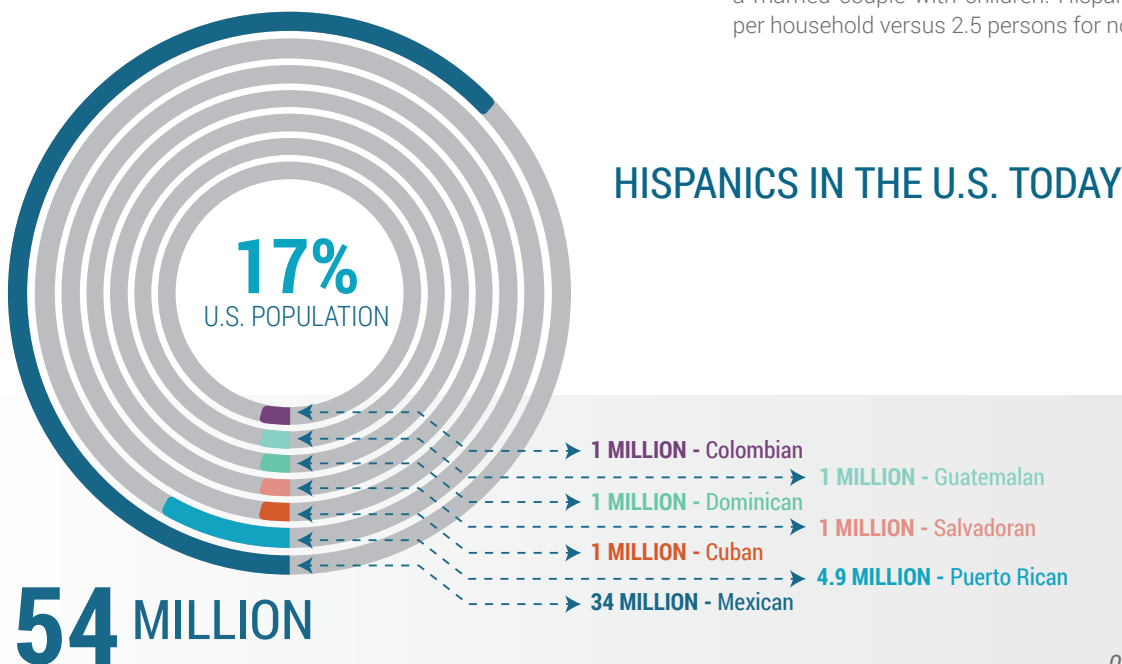
The 54 million Hispanics in the U.S. today comprise 17 percent of the country’s total population, up from five percent in 1970. Over the last 20 years, the number of Latinos under the age of 18 has increased by 107 percent. This population rise is most evident in 17 states where Latinos make up at least 20 percent of the kindergarten population, more than doubling the amount of states from a decade ago.⁴ While immigration was a primary driver of U.S. Hispanic growth prior to 2000, recent growth is due almost exclusively to higher U.S. birth rates. If this trend continues as anticipated, Hispanics are expected to account for at least 31 percent of the overall U.S. population by 2060.⁵

People of Mexican origin, account for two-thirds (34 million) of the nation’s Latinos. Those of Puerto Rican origin are the second largest group at 4.9 million (not including the 3.5 million on the island of Puerto Rico). The other top five Hispanic origin groups with more than 1 million people each include Cubans, Salvadorans, Dominicans, Guatemalans and Colombians.

Between 2013 and 2014, several states experienced substantial increases in Hispanic populations including Texas (451,000), California (371,000), Florida (293,000), Georgia (103,000), Arizona (96,000), and North Carolina (95,000).

The number of Hispanic households grew from 9.2 million in 2000 to 15 million in 2014, a growth rate of 63 percent. In contrast, the number of non-Hispanic households in the U.S. grew from 93.4 million in 2000 to 100.4 million in 2014, an increase of only 7.5 percent. In 2014, the number of Hispanic households grew by 320,000, accounting for 40 percent of total U.S. household formation growth in that year alone. Latinos hold the largest share of household growth for any racial or ethnic population group in the country.

The median age of the Hispanic population is 27 years, ten years younger than the overall U.S. population. Hispanic households are twice as likely as those of non-Hispanic Whites to be comprised of a married couple with children. Hispanics average 3.51 persons per household versus 2.5 persons for non-Hispanic Whites.



Origin: Pew Research Center

[Section 2]

The Role of Hispanics in the Nation's Economy

Homeownership

Hispanics achieved a modest net increase of 54,000 owner households in 2014 (see Table A). Since 2010 Hispanics have realized a net increase of 614,000 owner households, which accounted for half of the total net homeownership growth in the U.S. during that period.

From 2000 to 2014, the number of Hispanic owner households grew 62 percent from 4.2 million to 6.8 million. In comparison, the total number of owner households in the U.S. grew from 69.2 million in 2000 to 74.4 million in 2014, a growth rate of only 7.5 percent. Hispanics are expected to account for 180,000 – 220,000 new homeowners per year between 2010 and 2020, and even more in the subsequent years. In that same timeframe, the Urban Institute estimates Hispanics will account for 55.5 percent of new homeowners nationwide.⁶

Recent studies by Fannie Mae⁷, Rutgers and Emory University⁸ show that immigrants fared far better than the U.S.-born population in the aftermath of the housing crisis. Although U.S. homeownership rates declined after the housing crisis, the homeownership rate of immigrants actually increased in the midst of the recession from 52.4 percent in 2006 to 54.3 percent in 2012. The studies also estimate that immigrants will account for as much as one-third of new homeowners by 2020 due to demographic shifts, migration to the suburbs and other factors.⁹

According to Harvard's Joint Center for Housing Studies, homeownership correlates with increases of as much as \$10,000 in net wealth for each year that a home is owned.¹⁰ By contrast, renters do not commonly experience gains in wealth.

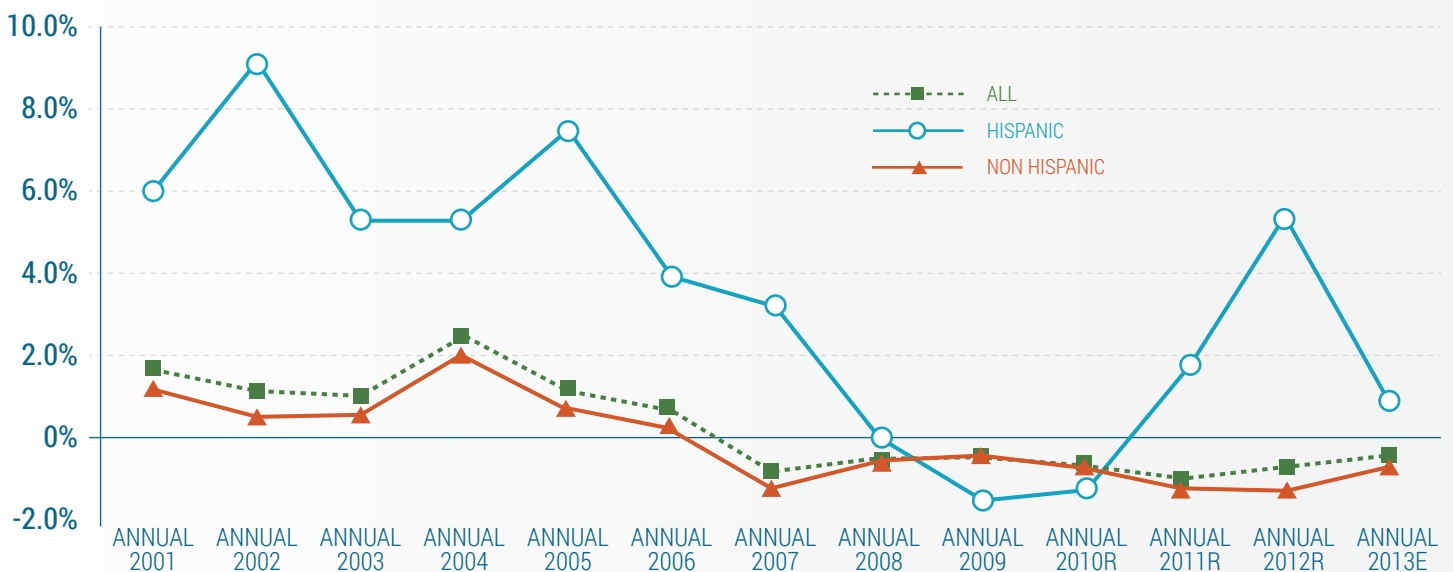
GROWTH IN OWNER-OCCUPIED UNITS IN THE U.S.

Percentage Changes in the Growth of Owner Households in the U.S. from 2000 to 2014

AVERAGE ANNUAL INCREASE

+0.3%
NON HISPANIC

+3.5%
HISPANIC



Origin: US Census Bureau, Homeownership Data, Fourth Quarter 2014

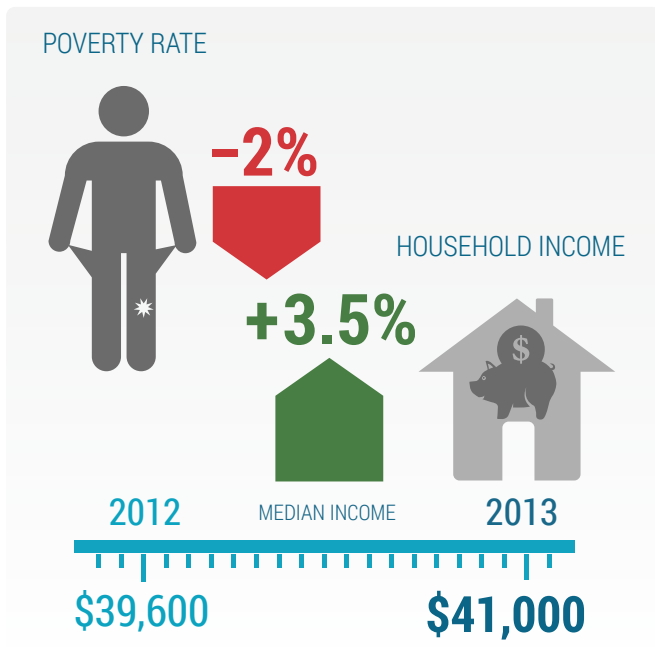
Labor Force Participation and Income

Between 2000 and 2014, Hispanics accounted for 65 percent of the growth in the U.S. labor force. By the end of 2014, the rate of Hispanic labor force participation was 66 percent, more than three percent higher than the overall U.S. national average.

From the fourth quarters of 2011 to 2014, the Latino unemployment rate fell from 11.3 percent to 6.5 percent. This is only slightly higher than the nation's unemployment rate of 5.6 percent. Current estimates indicate that by 2050, one in three U.S. workers will be Hispanic.

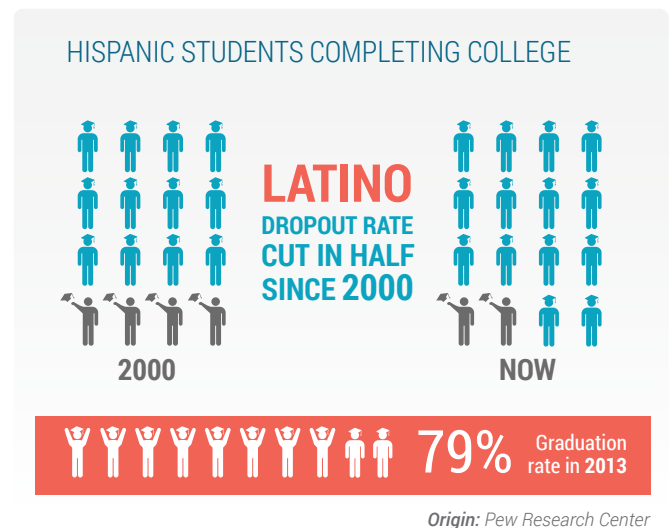
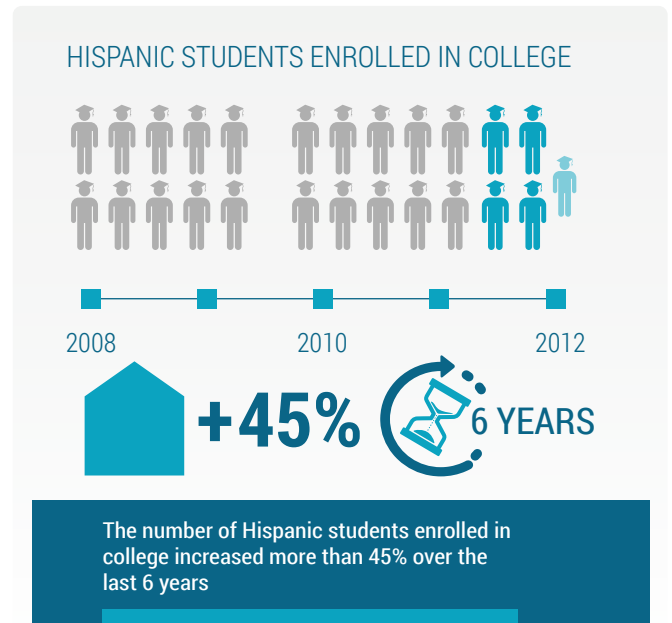
In 2013, Hispanics were the only racial or ethnic group to show a demonstrable shift in income and poverty rates. The median household income of Hispanics jumped 3.5 percent, from \$39,600 in 2012 to \$41,000 in 2013, while their poverty rate fell more than two percentage points to 23.5 percent. Hispanics experienced increases in overall income with 57 percent of Hispanic households earning over \$40,000, 41 percent earning over \$50,000, and 13 percent earning over \$100,000.¹¹

Among Hispanic business owners, 57 percent earn incomes greater than \$50,000. These households are two and a half times as likely to earn in excess of \$150,000.¹² Nearly 30 percent of Latino small business owners earn more than \$100,000.



Education

The high school dropout rate of Hispanics reached a record-low 14 percent in 2013, compared with 32 percent in 2000. In 2013, Hispanics achieved a high school graduation rate of 79 percent, their highest rate in over 30 years. Hispanic college enrollment rates increased 45 percent from 2008 to 2012, with 2.4 million students participating as of 2012. Hispanics accounted for 19 percent of total college enrollments in 2013.¹³



Entrepreneurship and Purchasing Power

In 2014, Hispanic businesses employed more than 2 million workers and contributed nearly \$500 billion in total revenue to the nation's economy.¹⁴ The number of U.S. Hispanic-owned businesses has nearly doubled from a decade ago, up from 1.7 million in 2002 to more than 3.2 million in 2014.

New business creation by Hispanics is occurring two times faster than the current national average, and enterprises launched by Latinas are increasing at a pace six times the national average.

Hispanic purchasing power is now estimated at \$1.5 trillion, an increase of 50 percent since 2010.¹⁵ This rise is anticipated to reach in excess of \$2 trillion by 2020.

HISPANIC BUSINESS IN 2014



REVENUE TO THE
U.S. ECONOMY



> 2 MILLION
WORKERS EMPLOYED

Origin: Geoscape, U.S. Hispanic Chamber of Commerce

[Section 3]

Barriers to Hispanic Homeownership

As of December 2014, the share of home purchases by first-time homebuyers was 33 percent, a level well below its historical norm of 40 percent. According to Bill Cosgrove, MBA's incoming Chairman, without first-time homebuyers, "you don't have move-up buyers," and "you don't have a healthy real estate market."¹⁶ Other obstacles to homebuyers include:

Tighter Mortgage Credit

“Latinos as borrowers may have different underwriting needs. They may have multiple family members living together, multiple wage earners contributing to household income, or they may be self-employed or hold more than one job. Adequate underwriting for these borrowers, who are a key demographic driving homeownership demand, requires prudent judgment and keen understanding of their ability to pay, if we are to expand credit access successfully to a greater number of well-qualified and creditworthy homebuyers.”

David Stevens, CEO,
Mortgage Bankers Association (MBA)

Over the past six years, access to credit has been more challenging than any time in recent history. In a 2015 NAHREP survey of 100 of the top Latino Real Estate Agents in America, 60 percent of respondents stated that the top barrier to Hispanic homeownership in the current market is "Access to Credit".

In 2013, Hispanics were turned down for home loans at twice the rate of non-Hispanic White borrowers and were more than twice as likely to pay a higher price for their loans. In October 2014, the average FICO score for all mortgage loans was 726 and 683 for FHA loans. Historically, credit scores of 700 were typical for conforming loans with the most competitive rates and fees. Credit score models used by Fannie Mae, Freddie Mac and FHA continue to exclude more progressive products and versions available in the market today. A Federal Reserve study showed that married individuals and immigrants perform better on their loans than predicted by their conventional or non-traditional credit scores.¹⁷ The results are particularly pertinent for Hispanics since both categories are relevant to the community. The findings also support the increased use of alternative credit scoring systems that also take into account multiple wage earners and income from more than one job.

According to the Urban Institute, as many as 1.2 million additional mortgage loans would have been made annually since 2012 if normal standards had been in place before the housing bubble occurred.¹⁸ Mark Zandi, chief economist at Moody's Analytics, also points out that more than 10 million renters now have the financial capacity to become homeowners but cannot do so because of the higher credit scores required by lenders.

Studies estimate that as many as 13 million borrowers, many of them first-time homebuyers, with a credit score between 580 and 640 had been unable to get a loan. Tighter underwriting and increased mortgage insurance premiums by FHA resulted in a nearly 50 percent contraction of purchase mortgage loans during the first 10 months of 2014 (481,000) compared to 949,000 during the same period in 2010.



The Impact of the CFPB and QM on Credit Availability

Much has been made of the potential effects of the implementation of Qualified Mortgage (QM) and Ability-to-Repay (ATR) Rules on the availability of credit. Their true impact won't be known until later in 2015 when the 2014 HMDA data is released. The initial reactions have been mixed. In a report released mid-2014, the Urban Institute indicated that it had seen "almost no impact in the government-sponsored enterprises (Fannie Mae and Freddie Mac) or government agency (Ginnie Mae) market" since the January 2014 effective date¹⁹ The report contends that credit standards were already so stringent that the additional imposition of QM rules had "surprisingly little impact".²⁰

Industry participants typically offer a different perspective. With changes to the servicing rules for example, when a loan goes into default, the resulting actions require the addition of costs to the servicer. The trepidation associated with dealing with these costs affects how aggressive a lender will be when extending credit. Loans for properties under \$100,000 have also precipitously declined with the implementation of QM. With the costs for servicing a \$500,000 loan or a \$100,000 being equal, it stands to reason that there would be a shrinking desire on the part of lenders to originate low dollar loans because of the cost that now exists to service those loans. This is especially worrisome for Latinos and other first-time home buyers where lenders may find smaller loans less economically viable.

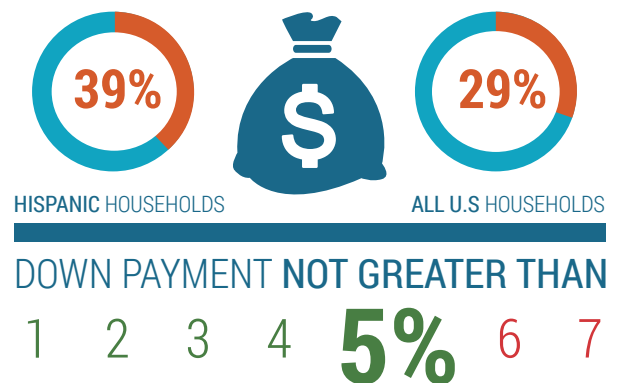
Down Payments and Loan Costs

Today, Hispanics and other first time homebuyers continue to make small down payments and are disproportionately affected by upfront fees charged by the GSEs, like loan level price adjustments (LLPAs) and higher Guarantee Fees (g-fees). The GSEs use LLPAs to effectively charge borrowers more for their mortgage if they think the borrowers present a higher risk of default. For instance, a borrower with a slightly lower FICO score and a low down payment will pay a substantially higher interest rate for their loan than other borrowers.

Of the approximately 6.5 million Hispanic owner households in 2012, more than 2.5 million (39 percent), made a down payment of 5 percent or less, as compared to 29 percent for all U.S. households. The improving housing market and economic conditions recently prompted the FHA to reduce its mortgage insurance premiums by 50 basis points. In 2014, Fannie Mae and Freddie Mac announced that they would be reintroducing a conventional 3 percent down payment option. While these moves are intended to make financing options more available to sidelined

buyers, the GSEs will likely have to take additional steps to increase access to credit by reducing LLPAs and g-fees.

2012 HISPANIC AND U.S. DOWN PAYMENT AMOUNTS



Origin: US Census Bureau

Lack of Affordable Homes

Top Hispanic real estate agents continue to rank inventory shortages in many markets as a primary barrier for prospective Hispanic homebuyers. One reason for this shortage is that a substantial number of homes across the U.S. are vacant but not on the market.²¹ About 2 million of these homes are in some state of the foreclosure process. Investors have also converted thousands of formerly owner-occupied homes into rentals. Additionally, while condominiums have traditionally served the homeownership needs of entry-level buyers in many markets, rising prices and enhanced financing restrictions have made it more difficult for many Hispanics in California and Florida to purchase them.

Negative equity is another reason for inventory shortages in markets like Nevada, Florida, Michigan, Illinois and Ohio. A Realty-Trac ® report estimates that slightly more than seven million

homes nationwide have negative equity.²² While new investor activity reduced substantially in 2014 first time buyers still had difficulty competing with investors who were able to purchase properties with all cash.

Knowledge Gaps and Professional Infrastructure

Many prospective Hispanic homebuyers lack accurate information about the home buying process. Language barriers and limited experience can exacerbate an already complicated process. It is generally believed that the number of Hispanics or culturally competent individuals employed in counseling, real estate and the mortgage industries are much lower than what is needed in the market. This is especially true in markets in the South and the Midwest where Hispanic population surges have occurred only recently.

[Section 4]

Consumer Attitudes and Preferences

Fannie Mae National Housing Survey

Fannie Mae's National Housing Survey reports detailed attitudinal feedback from consumers regarding their perspective on issues related to the housing industry. Results from their 2014 survey indicate Hispanics hold an optimistic economic outlook but have reservations about buying a home because of tight credit conditions:

- Most Hispanics (58 percent) say they expect their personal financial situation to improve, despite the fact that only a third of them say the economy is on the right track
- Nearly half of all Hispanics (48 percent) say this is a good time to buy a home.

Two-thirds of Hispanics state that they would likely buy a home rather than rent if they were going to move. A majority of Hispanics prefer homeownership to renting and are largely motivated by the quality of life benefits they associate with homeownership.

- At 93 percent, Hispanics prefer owning a home as a good place for the family, to raise children, and to achieve control over one's living space

- At 86 percent as the best way to achieve feeling engaged in the community
- At 84 percent, as the best way to build up wealth and as the best investment

Hispanic Millennials and Other First-Time Buyers

Hispanics account for more than one in five Millennials in the country. While they share many traits of non-Hispanic Millennials, they diverge in some notable areas.

Seventy percent of Hispanic Millennials indicate having a personal relationship with their bank is important, as compared to 65 percent of non-Hispanic Millennials. They reference innovation, community engagement, and availability of financial education as important features when selecting a financial institution.²³ Although more than 40 percent of Hispanic Millennials are bilingual,

Hispanic Millennials and Other First-Time Buyers

are bilingual, only 11 percent consider Spanish-language services an important factor when choosing a financial institution.²⁴

On average, they have lower debt levels (\$10,000 less than non-Hispanic Millennials). A large percentage of Hispanic Millennials (45 percent) live with their parents, and 22 percent contribute to paying half of household costs (compared to 9 percent of non-Hispanic Millennials).²⁵

While Hispanic Millennials note a desire to own a home, only 21 percent indicate near term plans to obtain a mortgage. When asked why, 46 percent cite affordability as an impediment to homeownership, in contrast with non-Hispanic Millennials

(37 percent). Another 32 percent indicate they have insufficient savings for a down payment, in contrast with 23 percent of non-Hispanics.²⁶ These results suggest an opportunity for lenders to educate this population segment regarding down payment requirements and the overall affordability of homeownership.

Renters with means are an acknowledged population of potential homeowners. In 2013, there were 2.8 million Hispanic renter households (36 percent) earning over \$40,000, 1.5 million (19 percent) earning over \$60,000, and more than 400,000 (5 percent) earning over \$100,000. This data indicates that 24 percent of Hispanics currently renting earn incomes that are at or above the median income for first-time homeowners.

[Section 5]

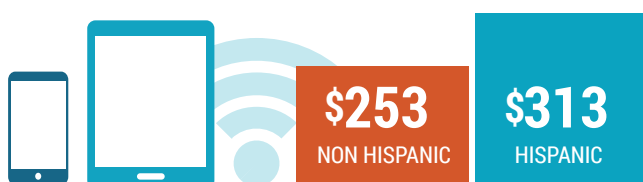
Unique Hispanic Segments and Consumer Nuances

Hispanic Mobile Purchasing Trends

In 2014, U.S. Hispanic spending via mobile devices (smartphone and/or tablet) reached \$10.1 billion annually. Annual mobile spending per-capita over the past year was \$313 among Hispanics, compared to \$253 among non-Hispanics.²⁷ While the consumer spend alone is significant, their engagement patterns differentiate Hispanics from other consumer segments. For example, Hispanics are more likely than non-Hispanics to have mobile buying decisions influenced by online product reviews, product ratings by experts, social media ads, and videos about products.

In terms of mobile device usage, recent Nielsen research indicates 72 percent of Hispanics own smartphones and use them to access multi-media²⁸ More than 70 percent of Hispanics access Facebook via a mobile device, with Latinas (76 percent) engaging more frequently through this medium. Online video streaming has also emerged as a primary consumption source for Hispanics. Most (84 percent) younger Hispanics access YouTube via a mobile device. Based on their high usage of subscription and non-subscription streaming services like Netflix, Hulu and YouTube, mobile video must be a core component of any marketing strategy aimed at effectively reaching Latinos.

2014 ANNUAL MOBILE SPENDING

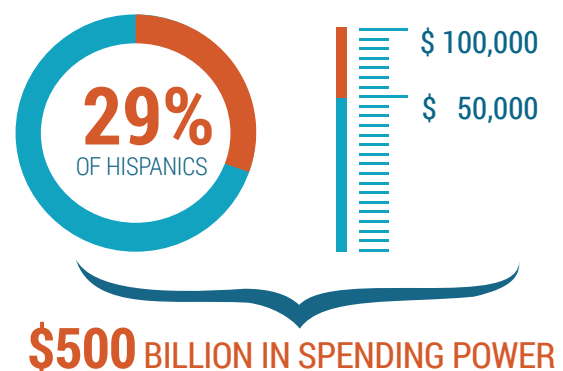


Higher-Income Latinos

The fifteen million higher-income Latinos, earning \$50-100K annually, comprise 29 percent of the U.S. Hispanic population and contribute \$500 billion (nearly 40 percent) in spending power. Their impact to the U.S. economy is projected to reach \$680 billion in 2016. Since 2002, the total number of higher-income Latinos increased steadily and by 2010 had doubled. By 2050, they will account for 35 million of the total U.S. Hispanic population.

Higher-income Latinos are avid technology users. More than two thirds of them spend \$1,000 or more a year in online shopping. According to Monica Gil, Senior Vice President Nielsen, one of the most compelling attributes of this cross-segment is "their consistent level of optimism about safety, well-being, and wealth creation. This optimism, confidence, and increased spending make this segment an imperative to the U.S. economy and prestige brands."²⁹

HIGHER-INCOME LATINOS



[Section 6]

The Economic Impact of Immigration Reform on Homeownership

The Joint Center for Housing Studies at Harvard University estimates the economic contributions of the 11 million undocumented immigrants in the U.S. could be a significant relief to the nation's housing recovery if they were legally integrated into the U.S. economy. Historically, immigrants have played an important role in housing, especially during the last two decades. Since 1994, immigrants have accounted for about one third of net new household formations. In 2014, immigrants owned 11.2 percent of all owner occupied homes, up from 6.8 percent in 1994, accounting for 27.5 percent of owner household growth over this period.³⁰ The Research Institute of America forecasts that by 2020 Hispanic immigrants will achieve a 50 percent rate of homeownership.

President Obama's recent Executive Action defers deportation for three years for people who came to the U.S. as children and for parents of children who are citizens or legal permanent residents. It is also expected to raise the wages of undocumented immigrants by eight to nine percent.³¹

NAHREP calculates that if three million undocumented immigrants were to buy homes, \$500 billion in real estate transactions and an additional \$233 billion in origination fees, real estate commissions, home improvements and related consumer spending could be generated over the next five years. Home purchases by newly legalized immigrants have the potential to create an additional \$180 billion in indirect consumer spending based on the average \$60,000 in associated purchases estimated by the National Association of Realtors.³²

The Bipartisan Policy Center observes that immigration reform may accelerate growth in the housing sector through increased demand for housing units. It estimates immigration reform would increase spending on residential construction by an average of \$68 billion annually over a 20-year period.

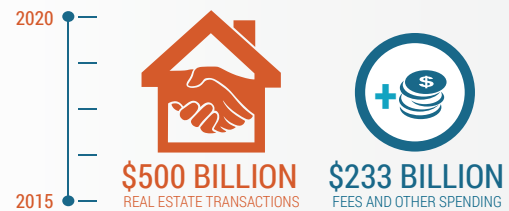
Jacob Vigdor, Professor of Public Policy and Economics at Duke University, estimates that the 40 million immigrants in the U.S. were responsible for a \$3.7 trillion increase to U.S. housing over the past decade. **Undocumented immigrants living in the United States for 10 years or longer achieved a 45 percent homeownership rate in 2008.** According to Vigdor, attracting 100,000 new immigrants per year would grow U.S. housing wealth by \$80 billion annually.

Several cities in the U.S. have carried out programs to attract more immigrants in order to revive their local economies, stabilize declining communities in rural and metropolitan areas, and mitigate the losses of jobs and population. In the Midwest in cities

like: Chicago, Cleveland, Columbus, Dayton, Indianapolis, St. Louis, and Lansing, Michigan have all implemented program initiatives to appeal to immigrant workers.

The Bipartisan Policy Center expects immigration reform to expand the U.S. labor force by 8.4 million, grow the nation's economy by an additional 4.8 percent, and reduce cumulative federal deficits by nearly \$1.2 trillion over the next 20 years. GDP growth is estimated between \$83 and \$150 billion yearly, with immigrant worker contributions between \$10,000 and \$17,000 annually per-capita.

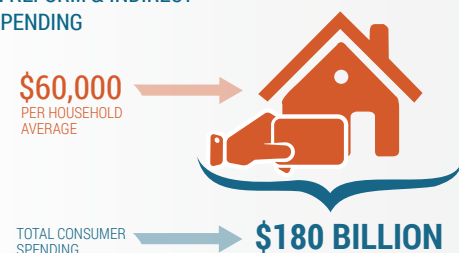
IF UNDOCUMENTED IMMIGRANTS BOUGHT HOMES



IMMIGRATION REFORM & RESIDENTIAL CONSTRUCTION SPENDING



IMMIGRATION REFORM & INDIRECT CONSUMER SPENDING



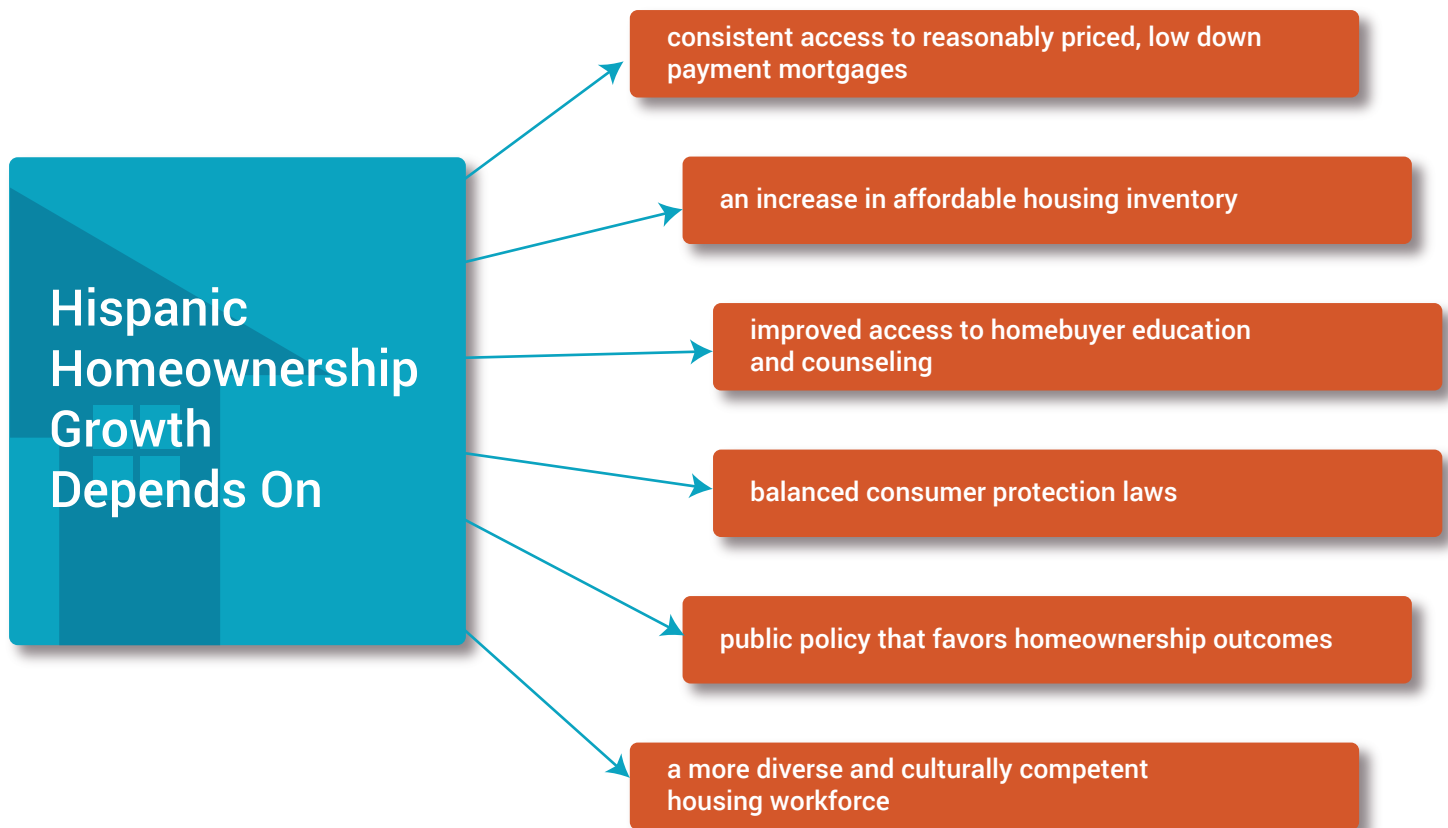
[Section 7]

Conclusions

The primary indicators for Hispanic homeownership growth, including household formations, income and consumer attitudes, were uniformly positive. Top producing Hispanic real estate agents reported that tight credit combined with affordability gaps prevented 2014 from being stronger for Hispanic homebuyers. The effects of new regulations designed to provide stronger consumer protection have clearly had an impact on credit availability especially for first time buyers – though it is not yet clear in what capacity. The pendulum, however, appears to be slowly moving back toward the center. In the past few months, FHA began the process of rolling back increases to Mortgage Insurance Premiums (MIP), in order to begin stimulating more buyer activity. After posting several consecutive profitable quarters, Fannie Mae and Freddie Mac have begun refocusing on their duty to serve affordable markets. Mortgage lenders also seem to be more willing to lend more

aggressively as several lenders lowered their minimum credit score requirements. While Hispanics remain poised to drive homeownership growth for the next several decades, with only a few exceptions there is little evidence that the industry as a whole has done much to address the unique nuances of many Hispanic homebuyers.

Despite a myriad of challenges, interest rates remain low and the economy continues to improve - prompting the top Latino real estate agents in the country to predict that 2015 will be exceptionally strong for Hispanic homeownership. The business opportunities remain enormous for mortgage lenders, real estate companies and builders who develop relevant products and viable sales and distribution strategies for the wave of Hispanic homebuyers.



[End Notes]

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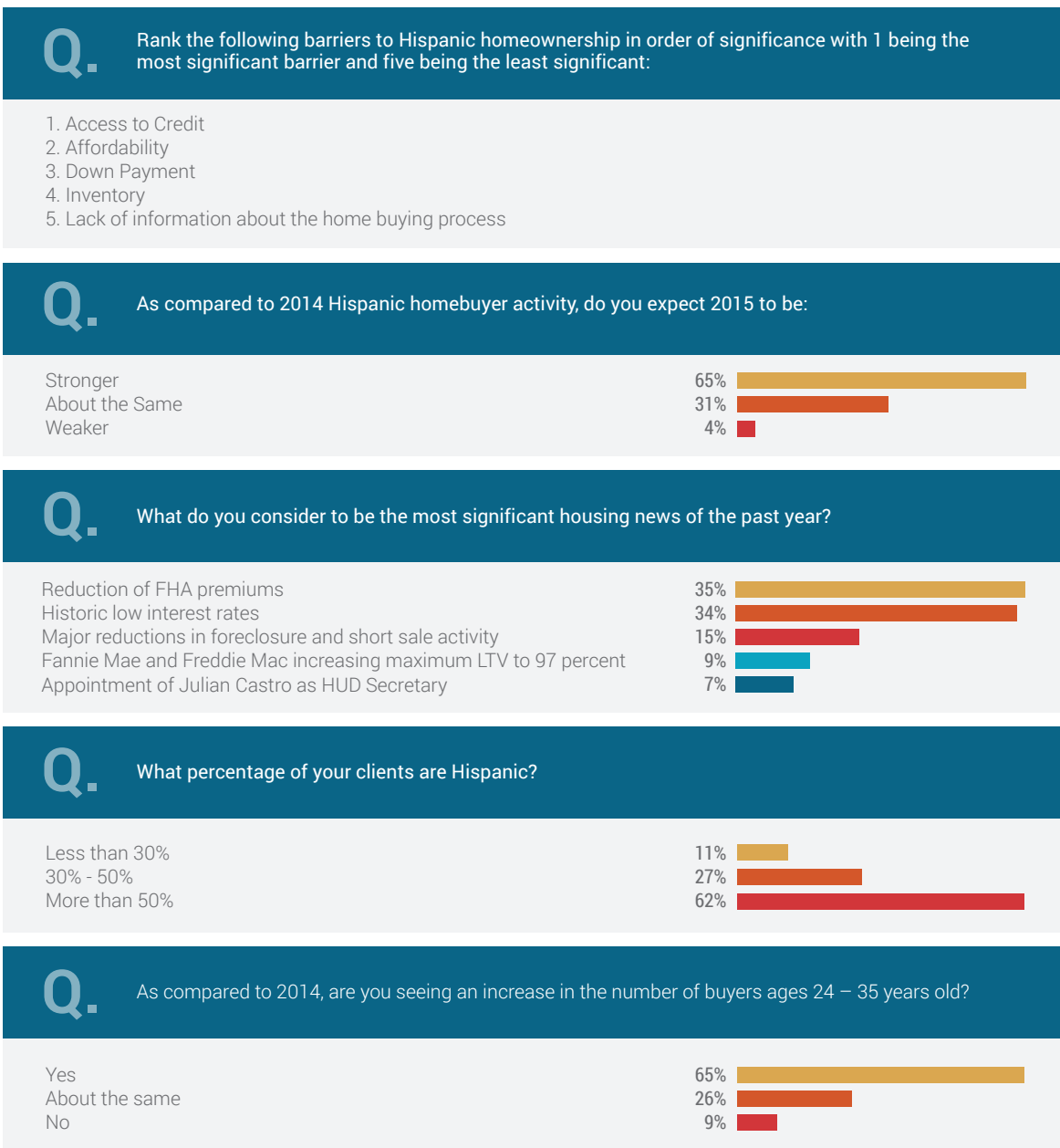
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[Appendix]

NAHREP Agent Survey & Methodology

NAHREP conducted a nationwide online survey of the Top Latino Agents in the U.S. 100 total agents participated. Top Agents averaged 83 transactions in 2014.





NAHREP[®]

2015

**POLICY
POSITIONS**



Overview

The National Association of Hispanic Real Estate Professionals® (NAHREP®) annually 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 2015, the renewal of affordable housing goals for Fannie Mae and Freddie Mac ("GSEs") is of such critical near term importance that NAHREP is compelled to issue this Call to Action to regulators and policymakers.

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

2015 CALL TO ACTION

RENEW AFFORDABLE HOUSING GOALS

Last year, the Federal Housing Finance Agency ("FHFA") proposed new and higher affordable housing goals for the GSEs that would apply during years 2015 – 2017. The proposed goals must be finalized as soon as possible in order to appropriately address the needs of first-time and other underserved markets.

In 2013, data from the federal governments shows that Hispanic mortgage applicants experienced denial rates for conforming loans at twice the rate of their white counterparts: 22 percent for Hispanics and 11 percent for whites. Disproportionate denials for conforming GSE loans force Hispanic borrowers into loan programs where the costs may be higher than a GSE conforming loan. In some cases, creditworthy borrowers are denied access to homeownership, further broadening the wealth gap.

Homeownership is broadly understood to be the engine behind small business formation and wealth creation. When the government is engaged in the mortgage industry, it should be for the purpose of serving a need not adequately served by the private market.

POLICY PRIORITY

ACCESS TO CREDIT FOR HOMEBUYERS

Narrow definitions of creditworthiness make it especially difficult for minority and first-time borrowers to qualify for and obtain a mortgage. Government regulators should address market factors that are restricting access to credit for minority borrowers.

POLICY PRIORITY

INVENTORY DISPOSITION

To ensure community development and opportunities to build generational wealth in Hispanic and other diverse communities through owner-occupied homeownership, the laws, regulations and business practices associated with single-family property REO disposition should provide ample opportunity for sales to Owner Occupants BEFORE making the property available for sale to investors.

POLICY PRIORITY

IMMIGRATION REFORM

Congress must pass comprehensive immigration reform to provide permanent legal status to the 11.2 million undocumented individuals who already live and work in the U.S. Immigration reform is needed to allow these immigrants to fully participate in the economy, including homeownership. This reform should include provisions for addressing a pathway to citizenship, deportation relief, and immigrant and non-immigrant work visas.

Call to Action

Renew Affordable Housing Goals for Fannie Mae & Freddie Mac

Overview

The Federal Housing Finance Agency (FHFA) is required by law to establish affordable housing goals for single-family and multifamily mortgages purchased by the two Government Sponsored Enterprises (GSEs), Fannie Mae and Freddie Mac. The goals established by the FHFA fall into the following categories

Single-family purchase goal for:

1. low income families;
2. families residing in low income areas;
3. very low income families;
4. mortgages for families residing in low income census tracts or for moderate income families in minority census tracts;
5. refinancing of mortgages for low income families;

Multifamily goals inclusive of:

6. a purchase goal for the purchase of multifamily loans affordable to low income families; and
7. a subgoal for the purchase of multifamily loans to very low income families.

Last set in 2012, Affordable Housing Goals expired at the end of 2014 and the GSEs are currently operating without consideration of specific goals for serving underserved markets.

The FHFA published a Notice of Proposed Rulemaking in the Federal Register on September 11, 2014 that would set the affordable housing goals for 2015 through 2017. The proposed rule would update the benchmark levels for each of the individual housing goal categories and would also establish a new housing subgoal for small multifamily properties affordable to low income families. The comment period closed on October 28, 2014 and the agency received close to 150 comments from advocacy organizations, trade associations, private citizens, and academic institutions. The FHFA has not yet issued a final rule with the new goals.

Why is this a concern?

A September 2014 analysis of Home Mortgage Disclosure Act (HMDA) data by the Federal Financial Institutions Examination Council observed that in 2013, Hispanic mortgage applicants experienced denial rates for conforming loans at twice the rate of their white counterparts: 22 percent for Hispanics and 11 percent for whites. The data also revealed that Hispanic borrowers received just 7.3 percent of all purchase mortgage originations in 2013, despite the fact that Hispanics represent 17 percent of the U.S. population.

Disproportionate denials for conforming GSE loans force Hispanic borrowers into FHA and VA loan programs where the costs may be higher than a GSE conforming loan. Even more concerning, some creditworthy borrowers are denied access to homeownership, further broadening the wealth gap.

Homeownership is broadly understood to be the engine behind small business formation and wealth creation. When the government is engaged in the mortgage industry, it should be for the purpose of serving a need not adequately served by the private market.

NAHREP Policy Recommendation:

The affordable housing goals must be sufficiently high in order to address the disparity in lending to minority groups. The goals proposed by the FHFA are a step in the right direction and NAHREP urges the agency to implement the proposed affordable housing goals for 2015 through 2017 as soon as possible.





Policy Priority

Access to Credit for Homebuyers

Overview

Since the onset of the financial crisis and mortgage meltdown, borrowers have been required to overcome increasingly stringent credit standards in order to qualify for a home loan. Narrow definitions of creditworthiness make it especially difficult for minority and first-time borrowers to qualify for and obtain a mortgage. In this environment of tight credit, government support of the mortgage market provided by the FHA, VA, USDA, and Ginnie Mae is critical in providing Hispanic consumers with access to affordable credit. The GSEs also play a crucial role in the U.S. housing finance system by facilitating a secondary market and connecting domestic and global capital to the U.S. housing finance market.

While the housing market and economy are on a path to recovery, we must protect government programs from efforts to diminish their role in the affordable housing market and seek additional avenues to improve access to affordable housing. Congress should take whatever action is necessary to ensure the government programs have the resources and support necessary to continue their affordable housing activities.

Why is this a concern?

Government regulators should address market factors that are restricting access to credit for minority borrowers.

- 1. Credit Scoring Models:** Traditional credit scoring models, like to widely used Fair Isaac Corporation (“FICO”) model, produce individual borrower credit scores that help lenders and investors determine if a borrower is a good risk and at what price. Traditional models generally do not capture transactions outside the conventional banking payment systems. This omission puts “unbanked” borrowers at a disadvantage, since their good payment history using cash transactions are not considered in their credit score.
- 2. Loan Level Price Adjustments (“LLPA”) and Guarantee Fees:** The GSEs use LLPAs and Guarantee fees to effectively charge borrowers more for their mortgage if the GSEs think there is a higher risk of default. For instance, a borrower with a below average FICO score and a low down payment will pay a substantially higher interest rate for their GSE loan than other borrowers. This approach has a disproportionately harmful impact on first-time and low income borrowers. In addition, housing market and economic conditions have improved to the point where LLPAs and Guarantee fees are now punitively high. The FHA recognized that and recently reduced its annual mortgage insurance premium by 50 basis points.
- 3. Representation and Warranty:** Originators remain concerned about representation and warranty liability and litigation risk from their participation in the government’s various mortgage programs. As a result, many originators have adopted underwriting “overlays” that are more stringent than the government’s underwriting standards. The overlays make it much harder for minority borrowers to qualify for a loan.

NAHREP Policy Recommendation:

- Alternative credit scoring models (other than FICO) may provide for additional extension of credit to millions of consumers in a safe and sustainable manner. Entities extending credit should be required to use “best in class” credit evaluation tools, including alternatives like Vantage Score, that are determined to be safe, sound, fair and responsible.
- Fannie Mae and Freddie Mac should eliminate LLPAs and introduce more cross-subsidization into its Guarantee fee structure, given the unfair impact of imperfect credit scoring models, the strong credit performance of their mortgages, and their affordable housing mission. Alternatively, LLPAs should be reduced across the board by at least 50 basis points, similar to the FHA reduction.

NAHREP: Policy Issue

Inventory Disposition

Overview

The Census Bureau reported at the end of 2010 that there were approximately 10 million single-family VACANT residential properties in America. Essentially, America was “on sale”. But unfortunately, many single-family owner occupant homeowners were not able to take advantage of this once-in-a-lifetime phenomenon, because an abundance of these properties were sold to institutional investors or absentee landlords for cash. The traditional single-family owner occupant (often first-time) homebuyer simply never had a chance to buy these properties as their bids – that in almost every case required financing – were passed over for cash offers and more rapid closings. This situation resulted less available inventory in many areas in the U.S. – and also resulted in severe increases in rents due to a shortage of inventory – making homeownership unattainable for those traditional single-family owner occupant buyers. This problem manifested itself through the general listing of property for sale, bank sales of REO Inventory, FHA sale of foreclosures, and Fannie and Freddie sale of property.

Why is this a concern?

Single-family property REO disposition strategies that prioritize opportunity to absentee investors disenfranchises Hispanics who currently represent 50 percent of the net homeownership growth in the U.S. and are projected to increase to more than 55 percent by 2020.

To ensure community development and opportunities to build generational wealth in Hispanic and other diverse communities through owner-occupied homeownership, the laws, regulations and business practices associated with single-family REO property disposition should provide ample opportunity for sales to Owner Occupants BEFORE making the property available for sale to investors.

NAHREP Policy Recommendation:

- FHA and the GSEs should implement a “First Look” period of no less than 90 days from the listing of the property for sale. This “First Look” period allows sufficient time for prospective owner occupants to participate in purchasing available properties and still allows investors an opportunity to acquire properties on the open market.
- The FHA and the GSEs should only utilize asset disposition strategies that include strong provisions designed to maximize the opportunity for owner occupants to keep or purchase a home. For example, the FHFA recently implemented a distressed loan sale program with provisions designed to help borrowers remain in their home through modified loan terms, or in the case of vacant homes, prioritize a sale to an owner occupant. The FHA should include similar provisions in any distressed loan sale program, and all loan sale programs should be periodically evaluated for effectiveness and possible further enhancements.





Policy Issue:

NAHREP Calls for Lawmakers to pass Immigration Reform

Overview

While the number of unauthorized immigrants in the U.S. has stabilized over the past few years, 11.2 million undocumented individuals remain in the U.S. without permanent status. This figure has remained relatively stable since 2012 and represents nearly 4 percent of the overall U.S. population. The vast majority of these undocumented immigrants are Hispanic, with more than 50 percent coming from Mexico.

In the last Congress, the Senate passed a bill for Comprehensive Immigration Reform. However, a companion bill was stalled in the House with little likelihood of being brought up for a vote, despite a strong public sentiment to pass Comprehensive Immigration Reform. While NAHREP is generally supportive of the President's "Immigration Accountability Executive Action" which should provide a temporary reprieve from deportation for nearly 5 million undocumented individuals, these immigrants remain without permanent status and unable to fully contribute to the economy.

Why is this a concern?

Pew Research Center estimates indicate that 5.1 percent of the U.S. labor force is comprised of unauthorized immigrants. They pay taxes, purchase goods, and generate housing expenditures. However, they often must do so at a higher cost, existing in a shadow economy where they are at risk of being exploited due to their status.

NAHREP has calculated that if three million undocumented immigrants were to buy homes, \$500 billion in real estate transactions and an additional \$233 billion in origination fees, real estate commissions, and related consumer spending would be generated over the next five years. These estimates are based on previous homeownership rates among foreign-born households. In 2011, for example, 52 percent of foreign-born householders owned their homes. Home purchases by newly legalized immigrants would generate an additional \$180 billion in indirect consumer spending based on the average \$60,000 in associated purchases estimated by the National Association of Realtors.

The impact of immigration reform on Hispanic homeownership would be felt in states with large Hispanic populations, including California, Florida, Arizona, Nevada, New Mexico, Illinois, Texas, New York, and New Jersey. Hispanic homeownership would also significantly increase in states that have been experiencing the greatest population growth within the past decade, including North Carolina, South Carolina, Georgia, and other states in the South.

NAHREP Policy Recommendation:

- **Deportation Relief:** Until a permanent resolution exists for the 11.2 million undocumented individuals in the U.S, deportation relief must be an active component of any executive action or piece of legislation.
- **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.
- **Pathway to Citizenship:** A permanent solution that enables those who seek status and choose to become a U.S citizens.



2014

STATE OF HISPANIC HOMEOWNERSHIP REPORT



591 Camino de la Reina, Suite 720
San Diego, CA 92108
TEL: 858-622-9046 • FAX: 619-719-4899
www.nahrep.org

