

A N N U A L R E P O R T

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WEALTH  
PROJECT**

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## ACKNOWLEDGEMENTS

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*HWP Annual Report Author*

Marisa Calderon

*HWP Annual Report Contributors*

Gary Acosta  
Gerardo “Jerry” Ascencio  
Zaba Rashan  
Green Park Agency

*HWP Annual Report Graphic Design*

*HWP Advisory Board*

**Chairman:** Hon. Henry Cisneros, Founder and Chairman, CityView  
Julissa Arce, Author  
Nely Galan, Media Entrepreneur and founder of Adelante Movement  
Dan Gilbert, Founder and Chairman, Quicken Loans  
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Landon Taylor, CEO, Base 11

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## *Hispanic Wealth Project Annual Report*

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**HISPANIC  
WEALTH  
PROJECT**

591 Camino de la Reina, Suite 720  
San Diego, CA 92108  
TEL: 619-719-4480  
[www.hispanicwealthproject.org](http://www.hispanicwealthproject.org)

### The Hispanic Wealth Project

The Hispanic Wealth Project, an affiliate of the National Association of Hispanic Real Estate Professionals, is a non-profit 501 (c) 3 whose mission is to financially and educationally empower the Hispanic community in America. The Hispanic Wealth Project is committed to empowering Latinos to fully participate and prosper in the U.S. economy through education, small business development and sustainable homeownership.

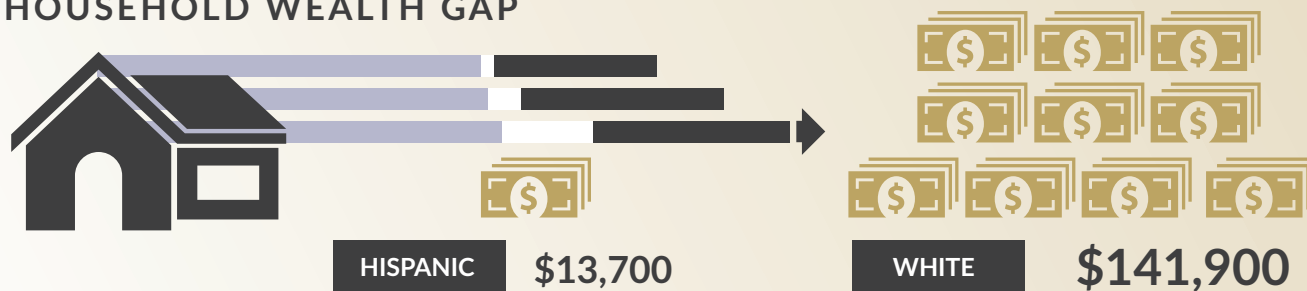
## SECTION 1.0 – EXECUTIVE SUMMARY

### Overview

In 2014, the National Association of Hispanic Real Estate Professionals® (NAHREP®) published the Hispanic Wealth Project™ (HWP) Blueprint to triple Hispanic household wealth by 2024. This effort was borne from a desire to address the vanishing wealth in the Latino community precipitated by the housing crisis when Hispanics lost two-thirds of their household wealth. Many Hispanics purchased homes at the peak of the housing bubble fueled in large part by easy access to sub-prime mortgage loans. Hispanics also have lagged the general population in terms of their investments in non-cash financial assets such as retirement accounts and value stocks. The combination of risky real estate investments and a lack of asset diversification left them especially vulnerable during the economic downturn.

The growing wealth gap has been broadly discussed with experts noting the catastrophic effects of the housing crisis on Hispanics in particular. In 2011, the median White household had \$111,146 in household wealth while the median Hispanic household had only \$8,348<sup>1</sup>. In 2013, while both groups experienced gains, the gap further widened with White household wealth at \$141,900 and Hispanic household wealth at \$13,700.<sup>2</sup> The wealth of White households now stands at more than 10 times that of Hispanic households.

### HOUSEHOLD WEALTH GAP



To address this critical circumstance, the HWP Blueprint focused on three component goals that most closely align with NAHREP's mission and membership:

- 1. Sustainable Homeownership;** *Achieve a 50 percent (or greater) rate of U.S. Hispanic homeownership because it is the primary vehicle for wealth creation for the middle class and core to NAHREP's mission.*
- 2. Entrepreneurship;** *Increase the success rate of Hispanic-owned small businesses, because small business is the engine that drives the U.S. economy and NAHREP's membership is comprised of successful small business owners who have gained wealth by establishing and growing their businesses.*
- 3. Savings and Investment;** *Increase by 25 percent the number of Hispanic households owning non-cash financial assets (e.g. stocks, bonds, mutual funds, 401k accounts), because the NAHREP membership is a microcosm of the professional Hispanic community for which an understanding of financial management and investment has not sufficiently materialized.*

The Blueprint outlined two distinct categories of programs to be implemented: **NAHREP-recognized** and **NAHREP-driven** initiatives. NAHREP-recognized initiatives are efforts undertaken by industry partners which will be monitored by the HWP. NAHREP-driven initiatives are undertaken by NAHREP or the HWP directly. In both cases, the resulting efforts and their progress are included in the HWP Annual Report.

### *Homeownership*

In 2015, Hispanics continued to drive homeownership growth for the U.S. **accounting for 69 percent of the total net growth in U.S. homeownership**. The current rate of Hispanic homeownership is 45.6 percent with the median Hispanic household noted as a renter household.

Over the course of 2015, several partners engaged with programmatic and funding support toward achievement of the goal of 50 percent (or greater) Hispanic homeownership. Most notably, Wells Fargo made a commitment to provide funding for \$125 billion in mortgage originations, \$10 million in housing counseling services, and to dramatically increase its workforce of Hispanic loan consultants. Additional partners specifically focusing efforts on improving the rate of Hispanic homeownership include Bank of America, Clearpoint Financial Services, Freddie Mac, the Mortgage Bankers Association and Realogy.

### *Entrepreneurship*

With an average operating history of just 22 months<sup>3</sup>, Hispanic small businesses encounter capital funding challenges and can struggle to make the transition into a third operating year or beyond. The Blueprint initially sought to improve by 50 percent the first-year success rate of Hispanic small businesses. Since that time, the goal has been refined to instead focus more broadly on improving the success of Hispanic-owned small business in order to identify programs directed at helping existing businesses make the transition from year two, to year three. In addition, the HWP efforts are targeted toward identifying companies or programs that can help existing successful businesses to scale and grow to multi-million dollar businesses.

Currently, the Latino Business Action Network (LBAN) has partnered with the HWP on a multi-year engagement through the Stanford Latino Entrepreneurship Initiative (SLEI) aimed at addressing the scalability and mentorship needs of existing small businesses. The HWP is actively seeking additional partners to engage in support of the Entrepreneurship goals outlined.

### *Savings and Investment*

Hispanics are underrepresented among households with non-cash financial assets, even at higher income brackets. Since family and cultural values play an important role in influencing Hispanic's participation in non-cash financial instruments, addressing those cultural values as a means of spurring increased investment is of critical importance. Given Hispanics out index other demographics in use and adoption of social platforms, strategies that engage traditional and digital communication mediums will play an important role.

Base 11, a non-profit workforce and entrepreneur accelerator with a STEM focus, is one of the early partners engaged in increasing Hispanic investment knowledge and participation. The financial services app they are developing is tailored to meet the unique needs of prospective Hispanic investors. NAHREP also announced the launch of its NAHREP 10 core principles intended to reshape the definition of wealth and prosperity. It has plans to deploy a multi-phase, multi-platform awareness campaign to its members and contacts to increase adoption of the NAHREP 10 principles.

### *Conclusion*

In 2015, much progress was made in validating areas of opportunity, securing programmatic partnerships and raising an overall awareness of the significance of the wealth gap for Hispanics and the economic imperative compelling industry participants to identify solutions to bridge this gap.

Additional work needs to be done to increase the pool of industry participants engaged in creating and promoting programmatic solutions that address the nuance and complexity of the wealth building needs within the Hispanic community.

## SECTION 2.0 – HOMEOWNERSHIP

### Component Goal #1:

*To achieve a 50 percent (or greater) rate of U.S. Hispanic homeownership.*

### 2.1 OVERVIEW OF HISPANIC HOMEOWNERSHIP

When we look at homeownership and project the potential economic impact of homeownership gains by Hispanics on the overall U.S. economy, we consider three key drivers:

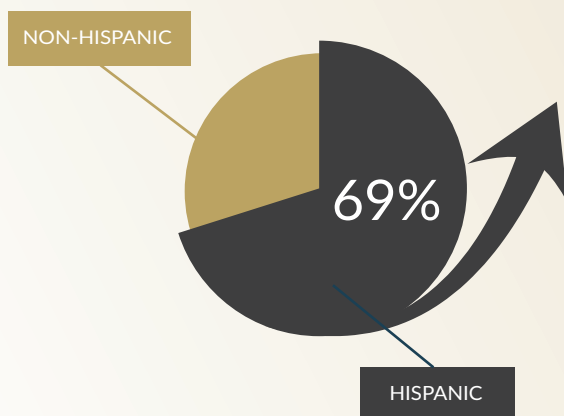
1. **Household Growth** - Is the population substantial enough for its homeownership gains to make a material impact on the economy AND what is its continued trajectory?
2. **Capacity** - What do job growth, educational attainment and most importantly, workforce participation look like for this segment of the population?
3. **Sentiment** - Do they want to buy a home?

#### *Household Growth*

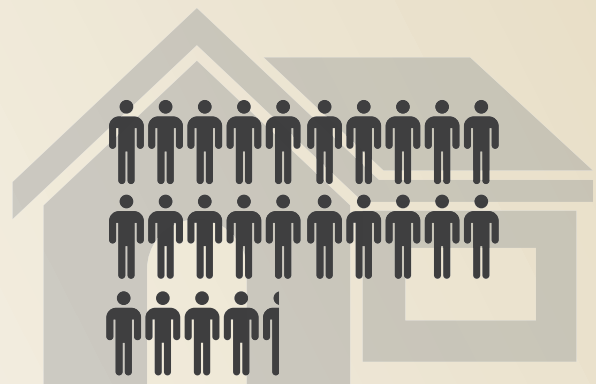
As detailed in the 2015 State of Hispanic Homeownership Report, the U.S. Hispanic population reached the 57 million threshold and now comprises 18 percent of the overall population. In fact, Hispanics have accounted for 56 percent of new household formations over the past five years. **A household is simply a group of people living together** and can consist of four roommates, a nuclear family with a grandmother, a single person living alone or any number of other combinations of people. Hispanic households, however, are typically comprised of two parents and at least one child, resulting in a household formation that is much more likely to become an owner household in the near term.

Indeed, for the fifth consecutive year Hispanics have achieved measurable gains in homeownership. **With a net increase of 245,000 owner households, Hispanics accounted for 69 percent of the total net growth in U.S. homeownership in 2015.** Remarkably, for the first time in 10 years the Hispanic homeownership rate spiked upward while the overall U.S. homeownership rate continued a downward trend. The current rate of Hispanic homeownership is 45.6 percent with the median Hispanic household noted as a renter household.

### TOTAL HISPANIC HOMEOWNERSHIP



In 2015, Hispanics achieved a net increase of 245,000 owner households, accounting for 69 percent of the total net growth in U.S. homeownership.



**+245,000 Homeowners**

Fueled primarily by U.S. birth rates, Hispanics continue to increase their population at a substantial pace and are anticipated to account for 30 percent of the U.S. population by 2060.

### Capacity

Hispanics continue to drive U.S. employment growth, accounting for 66 percent of U.S. labor force growth and 73 percent of the increase in U.S. workers employed between 2000 and 2015.

The **unemployment and labor force participation rates are interconnected** and analysis of these metrics in tandem offers a more complete view of employment status for a given demographic. **Unemployment** figures reflect the percentage of employable people over the age of 16 who are not employed but are actively seeking work. **Labor force participation** reflects the percentage of employable people age 16 or older with jobs or who are unemployed seeking work.

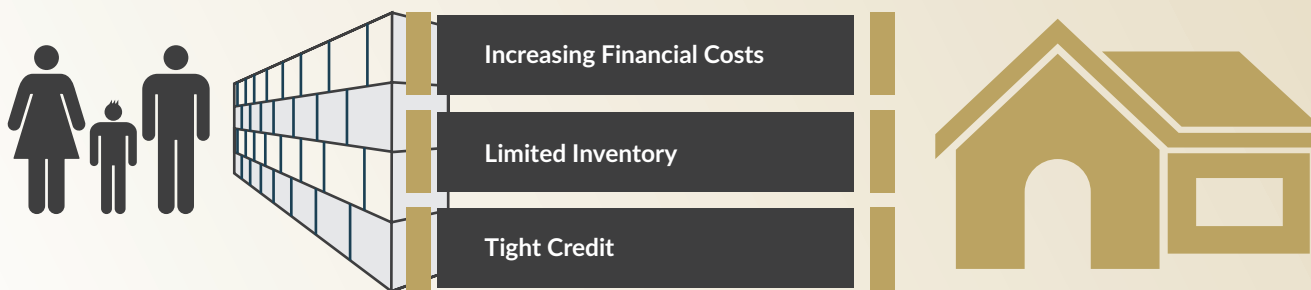
In February 2016, the rate of unemployment for Hispanics was at its lowest since 2007 - 5.4 percent, only slightly higher than the overall U.S. unemployment rate of 4.9 percent. At the same time, U.S. labor force participation was 62.9 percent in contrast to the higher Hispanic labor force participation rate of 66.1 percent. This can be partially attributed to the relative youth of the demographic that, at a median age of 29, is a full 14 years younger than that of non-Hispanic Whites. The labor force participation of Hispanics is expected to increase, while that of non-Hispanic Whites is expected to continue to decrease as the population ages and boomers exit the workforce, entering retirement.

The number of Hispanics ages 18 - 24 enrolled in college has more than tripled since 1993, increasing their access to higher paying jobs. Latinas in particular, made greater earnings advancements between 2004 and 2014 than all other women. Given these trends, Hispanics are expected to continue to be a primary driver of employment growth in the U.S. for the foreseeable future.

### Sentiment

Hispanics consistently rank homeownership as a primary goal noting benefits to financial well-being and family conditions. In a recent Fannie Mae National Housing Survey, 80 percent noted homeownership as the best investment and 70 percent indicated it is the best way to build wealth.

## BARRIERS TO HOMEOWNERSHIP



Tight credit, inventory shortages and the increasing cost of credit are all noted barriers to homeownership for Hispanics. Desire and capacity to purchase are both evident. At a 50 percent Hispanic homeownership rate, the median Hispanic household would be an owner household, adding home equity to their asset base, which is often the source of seed funding for small business and college tuition for the children of homeowners.

Since the Hispanic population is also driving household formation and homeowner gains in the U.S. it is imperative for the housing industry to resolve these barriers. Failure to do so could make homeownership unattainable for many Hispanics, materially impacting the health of the overall U.S. housing economy and further widening the wealth gap.



## 2.2 REQUIREMENTS IDENTIFIED IN BLUEPRINT TO ACHIEVE COMPONENT GOAL #1

|   | Component Goal Requirement (CGR)   | Objective   |
|---|--|---|
| 1 | Consistent access to low down payment mortgage financing   | Obtain commitments from additional lenders, government and other entities that will increase the supply of low down payment mortgages.  |
| 2 | An increase in housing inventory especially in the stock of affordable homes   | Obtain commitments from government, builders, servicers and other entities to deploy and support programs that increase the supply of affordable housing stock.   |
| 3 | An increase in the number of formally-trained Hispanics working in the mortgage and real estate industries   | Secure commitments from – and partnerships with – entities that can support the recruitment of Hispanics into the real estate and finance industries, and can support Hispanic professional growth through training and mentorship.   |
| 4 | Practical consumer protection that reduces the risk for predatory activity while simultaneously promoting fair housing and improving credit access | Foster and support programs and policies that ensure an appropriate balance between consumer protection and mortgage access.  |
| 5 | Down payment assistance and a plan to assist more Hispanic families with access to available programs  | Increase the number of first-time buyers by supporting programs and policies that expand down payment assistance programs, increase awareness of program availability to Hispanic families, and enhance Hispanic borrower access to first-time homebuyer mortgage programs. |
| 6 | Housing counseling that improves homeownership sustainability  | Identify and support pre-purchase housing counseling programs for all first-time buyers, and specifically seek to endorse programs that align with Hispanic cultural and demographic patterns and characteristics.  |
| 7 | Strong Community Reinvestment Act (CRA) and affordable housing goals that are met through programs that truly serve communities and homebuyers     | Recognize and support innovative and successful CRA programs and endorse policies that establish ambitious CRA and affordable housing goals that serve communities and homebuyers.  |
| 8 | The continuation of government policies, including the mortgage interest tax deduction, that favor homeownership outcomes                          | Support policymakers who will work to preserve the mortgage interest deduction and will otherwise advance initiatives that support homeownership outcomes.  |

## 2.3 KEY FINDINGS

While each of the eight objectives attached to the homeownership component goal remain important, the areas of critical focus are relative to the need for low down payment mortgages and down payment assistance, housing inventory shortages, the need for culturally competent professionals, and public policy changes that will decrease the wealth gap.

**Down Payments** - Nearly 40 percent of Hispanics that owned their homes since 2012 purchased their home with a down payment of less than 5 percent, as compared to 29 percent for all U.S. households.

Access to affordable, low down payment financing continues to be a critical requirement to achieving a 50 percent rate of homeownership for Hispanics. Products like Fannie Mae's HomeReady® Mortgage or Freddie Mac's Home Possible Advantage® Mortgage allow for a 3 percent down payment, offering a low down payment conventional mortgage alternative to FHA which has otherwise been the primary option for post-recession mortgages for Hispanics.

**Housing Inventory** - With available housing stock at historic lows, a shortage of housing inventory continues to be a primary barrier to homeownership attainment. In its 2016 Policy Position Statement, NAHREP called on HUD to study the Distressed Asset Stabilization Program (DASP). Independent studies have shown that these note sales represent a substantial amount of resale housing stock that is more likely to end up investor-owned inside of DASP.

**Counseling** - Pre-purchase counseling for homeownership is broadly believed to improve consumer confidence and understanding of the home purchase process and to create a general improvement in financial management. Analysis through one study by ClearPoint Financial Services on the impact of financial counseling services revealed positive results.<sup>4</sup> In their sampling:

- 57 percent of participants improved their credit scores
- 55 percent decreased unsecured debt by one third
- 24 percent established credit within 12 months
- 22 percent paid off their unsecured debt completely

While these results are encouraging, ClearPoint also noted regional differences for consideration. In the Miami market, program participants required assistance with debt management and re-establishing credit. In the Atlanta market, program participants required a more rudimentary education on credit and in establishing an initial credit profile. As additional market specific research is available, industry participants should use this information to tailor their offerings to present those most appropriate to the needs of the local Hispanic consumer demographic.

**Culturally Competent Professionals** - Hispanics were responsible for 69 percent of the U.S. homeownership gains in 2015 and are expected to account for 50 percent of first-time buyer activity nationwide.<sup>5</sup> In a recent survey of NAHREP members, nearly 40 percent of respondents indicated their clients required Spanish as a main language in the home purchase transaction.<sup>6</sup>



Professional guidance from a culturally competent advisor is needed to help navigate the complicated home buying process for the burgeoning Hispanic market. However, estimates indicate that only **7 percent of real estate agents and 4 percent of mortgage professionals are Hispanic.**

**Policy Changes** - In February 2016, Demos and IASP published a study in which researchers used an innovative new tool, the Racial Wealth Audit, to evaluate how policy changes would diminish or increase overall wealth gaps. They analyzed the impact on the wealth gap if, for example, Hispanics owned their homes at the same rate as non-Hispanic Whites.

They also evaluated the effect on the wealth gap if Hispanic households saw the same financial return on that achievement as the typical non-Hispanic white household. Astoundingly, they determined that “equalizing the returns on any given achievement (whether it is homeownership, college graduation or income parity) makes a greater impact on the racial wealth gap than eliminating disparities in home purchases, college graduation rates, or wages.”<sup>7</sup>

The study notes that because Latinos are less likely to have a job that includes a retirement plan, paid time-off or health coverage, they are more likely to use their current income to address “life’s challenges” and those of family members they support. For example, income spent to pay a medical bill “cannot be saved, invested and turned into wealth.”<sup>8</sup>

## 2.4 INDUSTRY COMMITMENTS

### *NAHREP-Recognized Initiatives for Component Goal #1:*

- In September 2015, **Wells Fargo** announced its support of the Hispanic Wealth Project in three key areas:
  - \$125 billion in mortgage originations for Hispanics and other low-to moderate- income borrowers. **CGR1 - 1**
  - A commitment to increase the number of Hispanic home mortgage consultants on its sales team. **CGR1 - 2**
  - \$10 million to support a variety of initiatives that promote financial education and counseling for Hispanic homebuyers. **CGR1 - 6**
- In 2016, **Freddie Mac** announced its support via engagement in an awareness campaign, in partnership with NAHREP, to publicize products like its Home Possible Advantage® Mortgage and the Affordable Home Loan™ Solution on which it has partnered with Bank of America. **CGR1 - 1**
- In 2016, **Bank of America** announced a partnership with Down Payment Resource by implementing an online tool that consumers or real estate professionals can utilize to identify available down payment assistance programs for borrowers. It subsequently launched its Affordable Loan Solution™ Mortgage allowing for a 3 percent down payment tailored for low-to moderate-income borrowers. In 2016, Bank of America plans to publicize the availability of the Down Payment Resource tool and its Affordable Loan Solution™ Mortgage through a series of strategic market events, conducted in partnership with Freddie Mac and NAHREP, aimed at educating the professional network that services Latino homebuyers. **CGR1 - 5**
- In addition to its initial pilot location in Atlanta, GA, **Clearpoint Financial Solutions** expanded its Hispanic Center for Financial Excellence (HCFE) model into Miami, FL providing consumer education and counseling in the areas of homeownership pre-purchase, general savings education, debt management and reduction, and small business creation. Based on the success of the outreach in Atlanta and Miami, future expansion markets for HCFE’s include markets in California and Texas. **CGR1- 6**

## NAHREP-Driven Initiatives for Component Goal #1

- In 2015, NAHREP and the **MBA** announced a partnership to deploy the Mortgage Banking Bound curriculum to colleges and universities with a substantial Hispanic constituency. The goal is to introduce mortgage banking as a career to graduates and to place them in internships with industry partners with the intended outcome of increasing the number of Hispanic entry-level hires into the mortgage banking industry. **CGR1 - 2**
- In 2016, NAHREP and **Realty** will launch an initiative to recruit new workforce participants into a career in real estate. This would include identifying colleges that have a significant Hispanic student body, leveraging the NAHREP Chapter network and deploying a three-pronged strategy to convey a career in real estate sales, potential path to ownership, and education on wealth creation through homeownership. **CGR1 - 2**
- **Clearpoint Financial Solutions** announced a two-year collaboration with NAHREP to evaluate the impact of pre-purchase housing counseling and to publish the findings as part of an effort to increase awareness and access to housing counseling. **CGR1 - 6**

## SECTION 3.0 – ENTREPRENEURSHIP

### Component Goal #2:

*To increase the success rate of Hispanic-owned small businesses.*

### 3.1 STATE OF HISPANIC-OWNED SMALL BUSINESS

At 4.1 million, the number of Hispanic-owned businesses has more than doubled in the last 13 years. Hispanics also had the highest rate of new business starts in 2015. With more than twice as many as the next largest grouping, Hispanic business starts far exceed those of any other minority demographic. Driven in part by a desire to create employment opportunity where none exists, immigrant Hispanics fuel a significant number of these business starts.



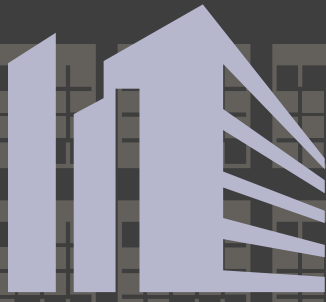
The number of Hispanic-owned businesses in the U.S. has more than **doubled** from 13 years ago, growing from

1.7  
Million in  
2002

→

4.1  
Million in  
2015

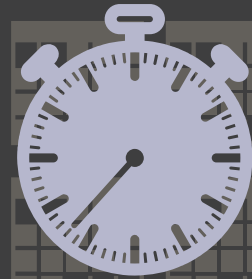
For both immigrant and native born Hispanics, access to capital, mentorship and business planning are hurdles in establishing and maintaining their businesses. Would-be Hispanic entrepreneurs are affected by the same thin credit file challenges faced by Hispanic home buyers. **Hispanic firms are also often younger than non-Hispanic firms, with an average operating history of just 22 months.**<sup>9</sup> A limited credit profile makes credit extension a challenge, leaving some to rely on home equity as a primary source of seed funding, if they are homeowners. For those who are not homeowners, capital funding is an even greater challenge. A 2014 study found that Hispanic



## HISPANIC FIRMS

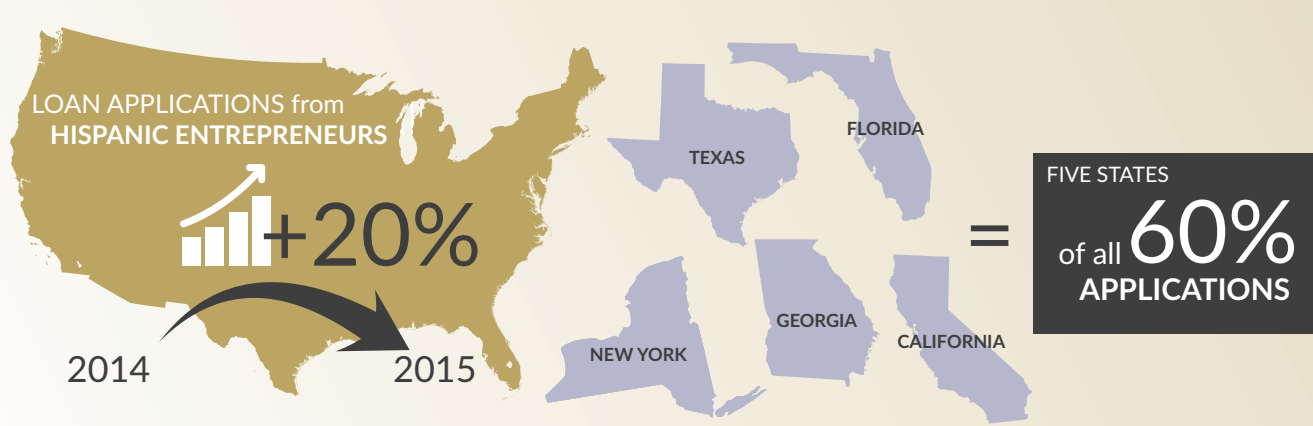
*are also often younger than non-Hispanic firms with an*  
AVERAGE OPERATING HISTORY OF JUST

22  
MONTHS



Origin: Biz2Credit

entrepreneurs experience discrimination when seeking small business loans from banks, receiving less information about loan terms and little help completing applications.<sup>10</sup> Despite these challenges, loan applications from Hispanic entrepreneurs rose nearly 20 percent between 2014 - 2015 with five states representing 60 percent of all applications: Texas, California, Florida, New York and Georgia.<sup>11</sup>



While limited research exists detailing the characteristics of Hispanic-owned small businesses, the “common profile for Latino small businesses is that they are small, have annual revenues of less than \$250,000, have very few employees, and do business locally.”<sup>12</sup> In fact, a recent study by Biz2Credit notes that Hispanic firms are often small and family-run minimizing operating expenses as compared with non-Hispanic firms. They note that Hispanic firms are primarily concentrated in construction, restaurants, real estate, landscaping, transportation, and cleaning services.<sup>13</sup>

Based on data from the most recent U.S. Census Bureau Survey of U.S. Business Owners, **93 percent of Hispanic small businesses employ fewer than 20 people**, 68 percent of Hispanic-owned small businesses employ fewer than 5 people and over 2.3 million individuals overall are employed by a Hispanic small business.<sup>14</sup> Hispanic small businesses are fueling growth in the U.S. economy. With access to additional resources, the near term and long term success rates for these businesses can have a material impact on the health of the aggregate U.S. economy.



**3.2 REQUIREMENTS IDENTIFIED IN BLUEPRINT TO ACHIEVE COMPONENT GOAL #2**

| Component Goal Requirement (CGR)  | Objective   |
|---|---|
| <p><b>1</b></p> <p>Education programs that create awareness of small-business formation opportunities and guide formation activities</p>  | <p>(1) Identify existing education programs with Spanish-language content that can be accessed via the internet.</p> <p>(2) Support curriculum development that offers learning on small business fundamentals, and make said curriculum available for use by a wide variety of public and private institutions.</p>                                      |
| <p><b>2</b></p> <p>Mentorship, by which successful Hispanic small-business owners provide visible and tangible evidence and support for success, and peer-to-peer groups that offer “mastermind” coaching</p> | <p>(1) Identify business leaders who have worked through many of the startup challenges faced by Hispanic businesses and encourage such leaders to share their stories.</p> <p>(2) Be a forum for the exchange of ideas and for matching mentors and protégés in programs aimed to give Hispanic entrepreneurs clearer roadmaps for business success.</p> |
| <p><b>3</b></p> <p>Incubators for technology and financial services entrepreneurship that allow small-business owners to collaborate</p>  | <p>Build and sustain forums for collaboration where entrepreneurs can gather, examine business challenges and learn to apply proven solutions.</p>  |
| <p><b>4</b></p> <p>Availability of capital for small-business lending</p>   | <p>Identify, foster and publicize lending programs that address specific community, cultural and economic patterns.</p>   |
| <p><b>5</b></p> <p>Hispanic access to small-business lending programs</p>   | <p>Close the gap between lenders and would-be borrowers through outreach programs that encourage small-business lenders to reach deeply into Hispanic communities, and that provide Hispanic entrepreneurs with the confidence and capability to apply for business financing.</p>  |

**3.3 KEY FINDINGS**

**Research** - Hispanic businesses are growing at a faster rate than any other demographic and face unique challenges. Not much information exists on the first year, five year or long term success rate of Hispanic small businesses. Additional research is required to understand primary influencers of success or failure. Mentorship, educational and other programs, including capital funding, are critical elements of any suite of solutions.

**Business Education & Mentorship** - The Stanford Latino Entrepreneurship Initiative (SLEI) is a research initiative within the Stanford Graduate School of Business. Led by the Latino Business Action Network (LBAN), SLEI offers a program aimed at Hispanic small business owners with revenues in excess of \$1 million who matriculate

through an intensive educational curriculum and are subsequently matched with mentors who are themselves successful entrepreneurs. Given a substantial number of Hispanic businesses exist in Texas, California, New York, Florida and Georgia, additional proactive efforts should be made to spur the creation of these kinds of programs across those specific geographic regions.

**Business Planning** – With an average age of less than two years, Hispanic small businesses are younger than non-Hispanic small businesses and appear to also represent a smaller number of tenured small businesses overall. This would suggest that additional opportunity exists to improve the short term success of Hispanic small businesses to also provide tools and resources to help them transition beyond that first two-year period, scaling their respective companies for long term growth. Since these businesses tend to be operated by networks of family members, the positive impact of this kind of training and support has the potential to markedly improve the financial well-being of not only the business, but also of the individual family members operating the business.

**Access to Capital** – Additional resources are needed for Hispanic entrepreneurs in both credit education and in identifying sources of funding for their burgeoning businesses. Traditional sources of funding, such as banks, typically want to review 24 months of financials as part of the loan application process. Since Hispanic small businesses are typically less than 24 months old, they are virtually shut out of these sources of funding. Because Hispanic entrepreneurs typically have a lower credit score than non-Hispanic entrepreneurs, additional outreach is needed to share strategies to build a strong credit profile.

### 3.4 INDUSTRY COMMITMENTS

#### *NAHREP-Recognized Initiatives for Component Goal #2:*

The HWP is actively seeking commitments from companies to self-identify programs in support of the achievement of this goal.

#### *NAHREP-Driven Initiatives for Component Goal #2:*

NAHREP has partnered with the **LBAN** through **SLEI** to study Hispanic small business owners in order to acquire a better understanding of the status, goals and challenges of Latino real estate professionals and entrepreneurs. NAHREP and SLEI will also work together to increase participation in this program by encouraging enrollment from successful entrepreneurs within the NAHREP membership. CGR2 - 2 CGR2 - 3

## SECTION 4.0 – SAVINGS AND INVESTMENT

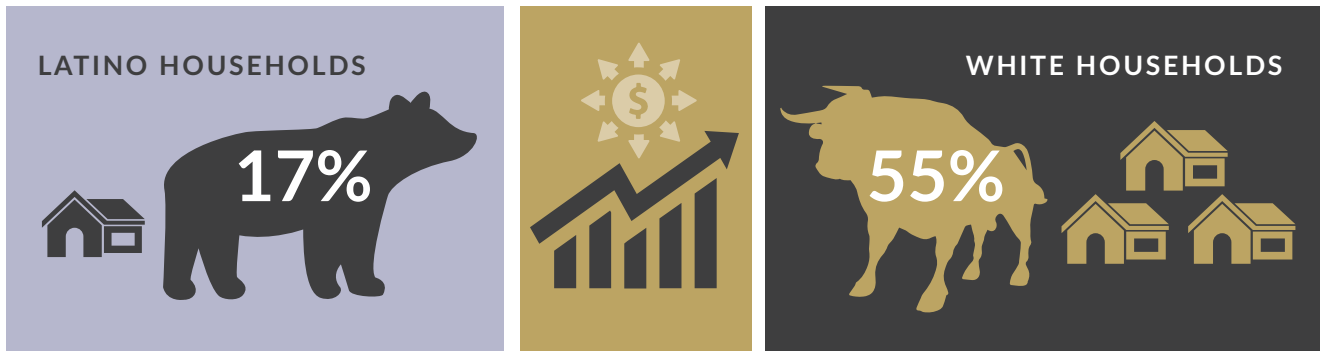
**Component Goal #3:**  
*To increase by 25 percent the number of Hispanic households owning non-cash financial assets (e.g. stocks, bonds, mutual funds, 401k accounts).*

### 4.1 OVERVIEW OF HISPANIC PARTICIPATION IN NON-CASH FINANCIAL ASSETS

A FINRA study reaffirms findings that Hispanics are underrepresented among households with non-cash financial assets, even at higher income brackets. They note **25 percent of Hispanic households have taxable investment accounts compared to 36 percent of White households.**<sup>15</sup> According to a Wells Fargo report, family and culture play a role in influencing investor participation in various financial instruments with 55 percent of respondents noting investment in raising their children as the best retirement plan. Additionally, 59 percent indicate that they have financial obligations to support other members of their family or community.<sup>16</sup> With respect to stock ownership specifically, **only 17 percent of Latino households own stock compared to 55 percent of White households.**<sup>17</sup>



Only **17 percent** of Latino households own stock compared to 55 percent of White households.



Origin: Institute for Policy Studies

In a recent collaboration, NAHREP and Oye Insights conducted an analysis over a three month period reviewing a total of 12,000 U.S. Hispanic conversations about savings and investments on social platforms including blogs, mainstream media, chat forums, Facebook, Flickr, and Twitter. Interestingly, nearly 60 percent of all conversations took place across only 5 cities: New York, NY (16 percent), Los Angeles, CA (13 percent), Miami, FL (12 percent), Coral Gables, FL (11 percent) and Houston, TX (6 percent). The analysis indicated that discussions about **stocks dominated 92 percent of the conversations across all platforms**, with 70 percent of those conversations taking place in Spanish. The social conversations regarding retirement and life insurance were primarily in English and those regarding employment were more evenly split between English and Spanish. A look at the breakdown of participation across genders revealed that men seemed to favor overall discussion about savings and investment representing 68 percent of the overall dialogue. In studying prevalence of these topic across the various social platforms, 96 percent took place on Twitter. In contrast, less than ½ percent of all conversations on these topics took place on Facebook. Interestingly, the 12,000 Hispanic conversations represented less than 9 percent of the total conversations relative to savings and investment across all social platforms during the timeframe reviewed.

#### 4.2 REQUIREMENTS IDENTIFIED IN BLUEPRINT TO ACHIEVE COMPONENT GOAL #3

| Component Goal Requirement (CGR)  | Objective  |
|---|--|
| <p><b>1</b> Investment education for small-business owners</p>  | <p>Identify, endorse and deploy investment education that creates awareness and understanding of various investment instruments (e.g. stocks, bonds), explains the concepts underlying portfolio diversification, introduces channels for accessing investments, and provides tools for tracking and measuring investment risks and returns.</p> |
| <p><b>2</b> Training programs for employers to drive increases in Hispanic participation in retirement programs</p>               | <p>Identify and highlight consumer education materials that make investments intriguing for a Hispanic audience.</p>   |
| <p><b>3</b> Formation of investment circles or similar “clubs” that allow new Hispanic investors to learn and invest together</p> | <p>Identify and endorse roadmaps for the creation of organic investment clubs through which first-time investors can learn together through shared experiences.</p>  |



*Continued*

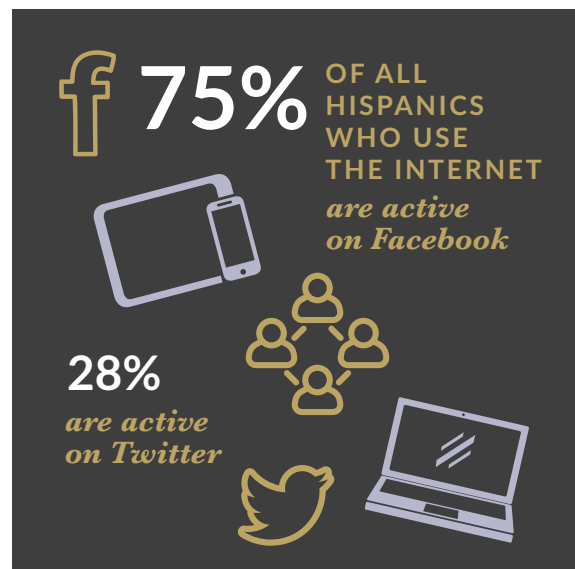
|   | Component Goal Requirement (CGR)   | Objective  |
|---|--|--|
| 4 | Tax policies that create incentives for diversified financial holdings   | Advocate for policies that create incentives for consumers who participate in employer-sponsored retirement programs (e.g. 401k), make investments (e.g. mutual funds) and otherwise diversify the repositories for their household wealth.  |
| 5 | Awareness programs (including technology-based social media) that engender investment curiosity and offer clear paths for taking first steps | Identify and support programs that make investing interesting and accessible, that lower minimum account balance requirements for the opening of an investment account, that allow small-dollar trades for low-risk investment experimentation, and that attach high-touch multi-lingual customer support to the process of establishing and sustaining an investment-firm relationship. |

**4.3 KEY FINDINGS**

**Engagement** – Hispanics across all income brackets and educational attainment levels continue to under participate in use of non-cash financial instruments. Notably, Hispanics out-index all other demographics in participation on social media, where with **75 percent of all Hispanics who use the internet participate on Facebook, and 28 percent are active on Twitter.**<sup>18</sup> Still, their conversations on social represent only a fraction of all conversations taking place with respect to savings, investment, retirement and the like on any social platform. Of those conversations that do take place, they are primarily in-language and driven by Hispanic men and on only one platform, Twitter.

The combination of these data points suggests that, despite available consumer education from various sources across the financial services industry, it has not captivated the interest or met a felt-need by the Hispanic consumer segment. For example, if Hispanics largely view their children and extended family unit as their best investment for retirement planning, then any efforts regarding increased participation in 401k or IRA need to first begin with an acknowledgement of addressing the financial well-being of those same family members. Likewise, if the bulk of conversations on social are taking place in Spanish on Twitter and regarding stocks, then investment services need to meet consumers where they are and provide useful educational content that addresses those specific demographic criteria and areas of existing engagement.

**Reevaluation of Goals** – Based on additional analysis of available participation rates of Hispanics, CGR3 – 3 regarding the creation of investment circles or clubs, should be revised to instead focus on utilizing mastermind coaching for Hispanic small business owners to include investment content. The HWP is a Business to Business engagement effort that ultimately will reach consumers by involving B2B channels. The successful creation and launch of large scale, organic investment circles driven primarily by first time investor participation would require an awareness of savings and investment not yet mastered within the Hispanic community but for which interest is more prevalent amongst Hispanic small business owners. At current, resources to engage first time Hispanic investors would be better spent on



increasing the level of comfort and awareness of investment topics with small business owners prior to expanding to initiatives such as investment circles.

#### 4.4 INDUSTRY COMMITMENTS

##### *NAHREP-Recognized Initiatives for Component Goal #3:*

In 2015, Base 11 began development of a financial services app uniquely tailored to prospective Hispanic investors. The purpose of the app is to evaluate current participation and knowledge of various investment vehicles, and to provide instruction and subsequent tracking of results from increased participation of users of the app. Set for launch in late 2016, user adoption and other testing results look to be available in 2017. CGR3 - 5

##### *NAHREP-driven Initiatives for Component Goal #3:*

# THE NAHREP<sup>10</sup>

The Hispanic Wealth Project®

**KNOW YOUR NET WORTH INCLUDING THE VALUE OF YOUR BUSINESS** because you can't improve what you don't measure.

6

|   |  |  |
|---|--|--|
| <div style="display: flex; align-items: center;"> <div style="flex: 0.1; background-color: #808080; color: white; padding: 10px; text-align: center; font-size: 2em; font-weight: bold;">1</div> <div style="flex: 0.9; padding: 0 10px;"> <p><b>HAVE A MATURE UNDERSTANDING OF WEALTH AND PROSPERITY</b> because the one with the most toys usually loses.</p> </div> </div>   | <div style="display: flex; align-items: center;"> <div style="flex: 0.9; padding: 0 10px;"> <p><b>BE POLITICALLY SAVVY</b> because public policy matters.</p> </div> <div style="flex: 0.1; background-color: #0070C0; color: white; padding: 10px; text-align: center; font-size: 2em; font-weight: bold;">7</div> </div>   |  |
| <div style="display: flex; align-items: center;"> <div style="flex: 0.1; background-color: #0070C0; color: white; padding: 10px; text-align: center; font-size: 2em; font-weight: bold;">2</div> <div style="flex: 0.9; padding: 0 10px;"> <p><b>BE IN THE TOP 10% OF YOUR PROFESSION</b> because being good is not good enough.</p> </div> </div>  | <div style="display: flex; align-items: center;"> <div style="flex: 0.9; padding: 0 10px;"> <p><b>BE PHYSICALLY FIT</b> because wealth without health is meaningless.</p> </div> <div style="flex: 0.1; background-color: #808080; color: white; padding: 10px; text-align: center; font-size: 2em; font-weight: bold;">8</div> </div>   |  |
| <div style="display: flex; align-items: center;"> <div style="flex: 0.1; background-color: #808080; color: white; padding: 10px; text-align: center; font-size: 2em; font-weight: bold;">3</div> <div style="flex: 0.9; padding: 0 10px;"> <p><b>LIVE BELOW YOUR MEANS AND BE READY FOR THE NEXT RECESSION</b> because downturns are a regular part of our economic cycles.</p> </div> </div>   | <div style="display: flex; align-items: center;"> <div style="flex: 0.9; padding: 0 10px;"> <p><b>BE GENEROUS WITH PEOPLE WHO ARE LESS FORTUNATE</b> because philanthropy feeds your spirit and gives more purpose to your work.</p> </div> <div style="flex: 0.1; background-color: #0070C0; color: white; padding: 10px; text-align: center; font-size: 2em; font-weight: bold;">9</div> </div>              |  |
| <div style="display: flex; align-items: center;"> <div style="flex: 0.1; background-color: #0070C0; color: white; padding: 10px; text-align: center; font-size: 2em; font-weight: bold;">4</div> <div style="flex: 0.9; padding: 0 10px;"> <p><b>MINIMIZE DEBT</b> because it is the biggest enemy to wealth.</p> </div> </div>   | <div style="display: flex; align-items: center;"> <div style="flex: 0.9; padding: 0 10px;"> <p><b>BE ACTIVE IN THE LIVES OF YOUR FAMILY AND CHILDREN</b> because <i>familia</i> is central to who we are and nothing will motivate you more.</p> </div> <div style="flex: 0.1; background-color: #808080; color: white; padding: 10px; text-align: center; font-size: 2em; font-weight: bold;">10</div> </div> |  |
| <div style="display: flex; align-items: center;"> <div style="flex: 0.1; background-color: #808080; color: white; padding: 10px; text-align: center; font-size: 2em; font-weight: bold;">5</div> <div style="flex: 0.9; padding: 0 10px;"> <p><b>INVEST AT LEAST 20% OF YOUR INCOME IN REAL ESTATE AND STOCKS</b> because they are the best and safest ways to build wealth (investing in other businesses does not count).</p> </div> </div> | <p style="color: #0070C0; font-weight: bold; margin: 0;">SHARE THESE DISCIPLINES WITH YOUR FAMILY, FRIENDS, COLLEAGUES AND CLIENTS BECAUSE THAT'S HOW WE CHANGE THE WORLD.</p>   |  |

In 2016, NAHREP Co-Founder and CEO Gary Acosta developed 10 core principles to help reshape the definition of wealth and prosperity amongst its membership and by extension, transform their clients, family members and contacts. The association set out to craft the principles, and disseminate them through an extensive messaging and awareness campaign amongst its membership and chapter network.

- Chapter events – each of its 41 chapters will include intentional event programming tied to one or more of the NAHREP 10 principles. This enables membership from across the network to experience and become directly inspired by the messaging, creating a grassroots approach to implementation.
- National events – at its primary national events, the association will include educational tracks with programming intentionally linked to the NAHREP 10 principles.
- In late Q4 2016, NAHREP will expand its mastermind program to include a Hispanic Wealth Project retreat with content specifically tailored to grow success for existing small business owners with investment education and guidance to address the unique challenges they face.
- In 2017, NAHREP will launch an initiative to certify a cohort of trainers in the NAHREP 10 disciplines for the purpose of providing an available resource of professionally trained individuals who are able to serve as a public speaking and content delivery resource on any or all of the content areas relative to the NAHREP 10. Initially intended as an internal resource to its growing chapter network, NAHREP 10 certified trainers will have the capabilities of serving as an external resource in the future. CGR3 - 1

## SECTION 5.0 – FEDERAL POLICY

Public policy to address inequality has focused primarily on efforts to “raise the floor, level the playing field or reduce concentrations of wealth.”<sup>19</sup> Attempts to increase the minimum wage, as well as the pending implementation of the Department of Labor’s changes to exempt qualification and pay, fall under the “raise the floor” category where they attempt to improve the earnings of those on the margins. Policies to “level the playing field” address tax rules such as making changes to tax law that enable different guidelines for U.S. based businesses as compared to transnational companies so that transitional companies are not advantaged with minimal regulation by virtue of not having located their company in the U.S.

Lastly, initiatives to “reduce concentrations of wealth” focus largely on addressing drivers of systemic inequality and concentrations of income and wealth. In this regard, suggestions include an adjustment of capital gains tax rates to be consistent with income tax rates. Currently, the tax rate on capital gains is considerably lower than the highest real income tax rate, disproportionately advantaging those with earnings from capital gains. Implementation of progressive tax rates for the wealthiest one percent of the population have also been suggested as a means of imposing a higher tax burden on those who can afford to bear it.

Additional evaluation is required of existing proposals to change tax law to understand the efficacy of such approaches. Modeling tools such as the Racial Wealth Gap Analysis tool should also be applied to more accurately forecast the positive, neutral or negative impact of implementation of proposed changes.

## SECTION 6.0 – CONCLUSION

In 2015, much progress was made in validating areas of opportunity, securing programmatic partnerships and raising an overall awareness of the significance of the wealth gap for Hispanics and the economic imperative compelling industry participants to identify solutions to bridge this gap.

Additional work needs to be done to increase the pool of industry participants engaged in creating and promoting programmatic solutions that address the nuance and complexity of the wealth building needs within the Hispanic community.

The Hispanic Wealth Project urges industry to consider the synergistic relationship of the three component goals with each one influencing greater success of the next, beginning with homeownership, proceeding to small business, then concluding with savings and investment.

Though all three HWP components are critical, homeownership is the cornerstone and genesis of wealth creation for the middle class. While homeownership is on the rise for Hispanics, the net gains of 245,000 in 2015 fell slightly short of the 320,000 annual goal necessary to reach a rate of Hispanic homeownership of 50 percent. A concerted effort must be made to improve access to credit and resolve barriers to homeownership for credit worthy Hispanics, thereby creating opportunity to build wealth for millions of Americans. With a revised goal of 329,000 net new homeowners annually, and resolution to the barriers impeding additional homeownership gains, the overall goal of 50 percent Hispanic homeownership is achievable by 2024.

In the categories of entrepreneurship and investment and savings, the limited amount of data available makes evaluation of progress difficult to quantify. The momentum is positive and the concentration in 2016 – 2017 should be focused on curating additional research and analysis in these areas. Additional data will help to not only measure progress, but to also validate requirements defined in the HWP Blueprint and Annual Report to triple Hispanic household wealth by 2024.

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