

2016

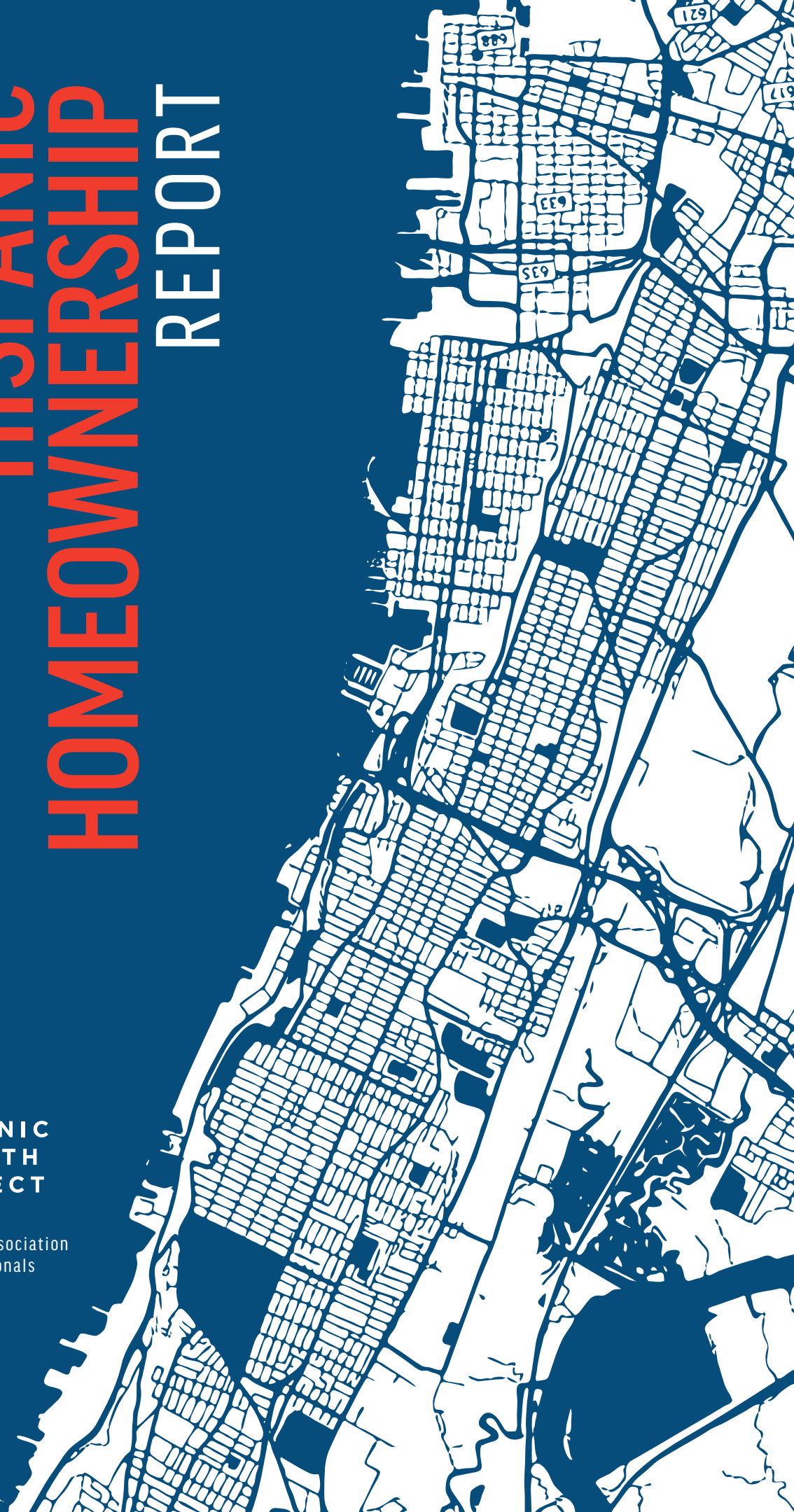
STATE OF

HISPANIC HOMEOWNERSHIP REPORT

HWP

HISPANIC
WEALTH
PROJECT

in collaboration with the National Association
of Hispanic Real Estate Professionals



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WEALTH
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Established in 2012, the NAHREP Foundation, dba the Hispanic Wealth Project, is a non-profit charitable organization whose mission is to advance sustainable Hispanic homeownership through engagement in strategic efforts focused on Hispanic workforce participation in housing, small business development, and wealth building.

The National Association of Hispanic Real Estate Professionals® (NAHREP®) is a non-profit trade association founded in 1999. The association has 26,000 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.

The State of Hispanic Homeownership Report™ is a publication of the Hispanic Wealth Project and NAHREP.

EXECUTIVE SUMMARY

The 2016 State of Hispanic Homeownership Report® is a publication of the National Association of Hispanic Real Estate Professionals® (NAHREP®) and the Hispanic Wealth Project™ (HWP™).

In this seventh edition, the report focuses on the household formation rates and the consequent homeownership growth of Hispanics as well as their related educational achievements, entrepreneurial undertakings, labor force profile, and consumer purchasing power in the country.

This year's installment highlights data that provides a comparative analysis of this past year and data from previous years since the beginning of the 21st Century. The report specifically analyzes the demographic and economic trends that shape the homebuyer market, including cultural nuances, and the role of Hispanics as drivers of homeownership growth in the United States. For clarification, the terms Hispanic and Latino are used interchangeably throughout the report.

HISPANIC HOMEOWNERSHIP

(the numbers)

Year	Rate of Homeownership <i>(as a percent)</i>	Number of Hispanic Owner Households <i>(units)</i>	Annual Change in the Number of Owner Households <i>(unit change)</i>
2000	46.0	4,242,000	
2001	47.3	4,497,000	+255,000
2002	47.0	4,912,000	+415,000
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	-66,000
2010	47.5	6,198,000	-56,000
2011	46.9	6,328,000	+130,000
2012	46.1	6,681,000	+353,000
2013	46.1	6,777,000	+96,000
2014	45.4	6,845,000	+68,000
2015	45.6	7,092,000	+247,000
2016	46.0	7,301,000	+209,000

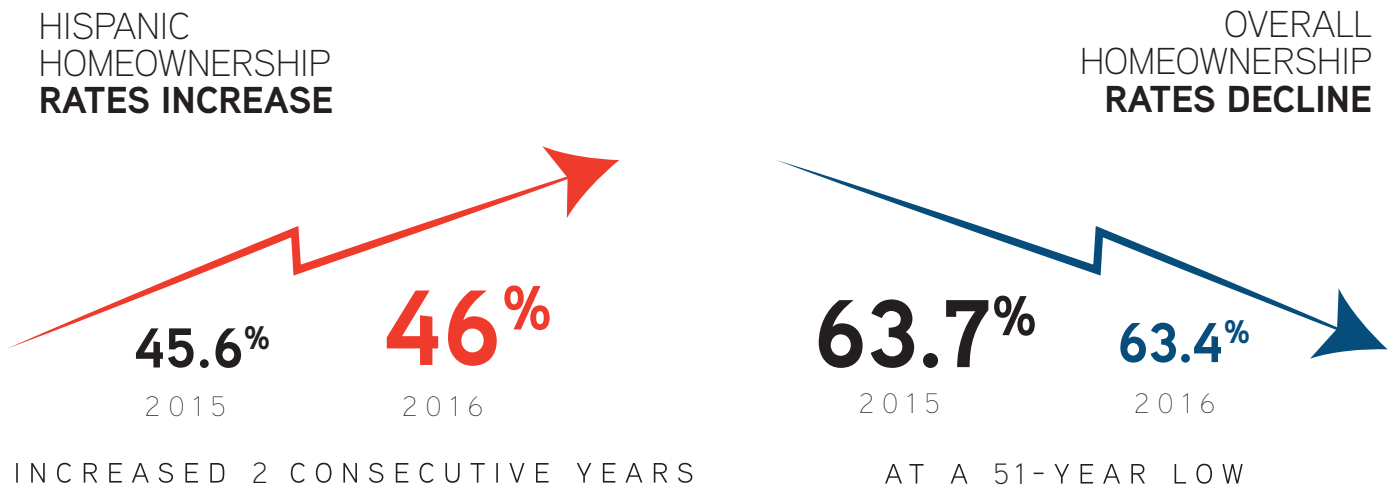
Origin: U.S. Census Bureau

Table A: Hispanic homeownership rate and total owner households from 2000 through 2016.

Homeownership Today – Hispanics Continue to Drive U.S. Homeownership

In 2016, 7,301,000 Hispanic households owned their homes. This was a 209,000 increase from the previous year, and accounted for 74.9 percent of the net growth in overall U.S. homeownership. For the second consecutive year, the Hispanic homeownership rate defied national trends. **The Hispanic rate of homeownership increased from 45.6 percent in 2015 to 46.0 percent in 2016, while the nation's overall homeownership rate declined to 63.4 percent, a 51-year low.** Comparatively, the rate of homeownership for non-Hispanic Whites remained flat at 71.9 percent, while the rate of homeownership for both Blacks (42.2 percent) and Asians/others (55.5 percent) both declined by approximately one full percentage point during the same year. Since 2000, Hispanics have added roughly 3.1 million new homeowners, a 73 percent increase.

The homeownership rate is a ratio of owner households divided by total number of households.

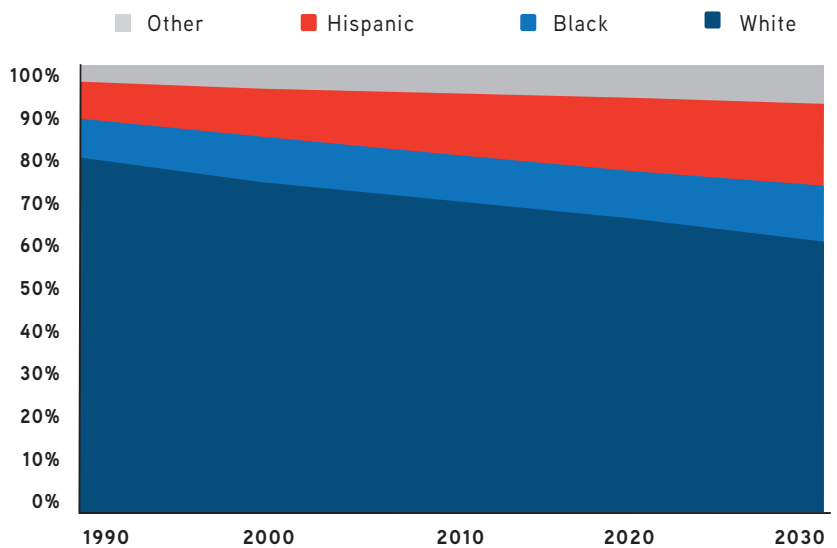


Looking Forward – Population Trends & Household Formations

In 2015, the Hispanic population reached a new high of 57 million, an increase of 1.6 million from 2014, representing nearly 18 percent of the U.S. population. Since 2000, Hispanics have accounted for more than half of the population growth in the United States. By 2060, the U.S. Hispanic population is expected to reach 119 million.

Household formations are widely considered a primary predictor of homeownership growth. In 2016, Hispanics accounted for 330,000 new household formations, representing 38 percent of total household formations in the country. Since 2000, Hispanic households have increased by 6.7 million, representing approximately 42.5 percent of overall household growth in the United States.

Population Trends: 1990 – 2030



Origin: Urban Institute, *Headship and Homeownership: What Does the Future Hold?*

Note: 2020 and 2030 data from Census projections

Other Factors That Affect Homeownership Activity – Employment, Income, and Business Growth

Hispanics continue to drive the growth of the nation's workforce and achieve substantial gains in both income and small business development. **Between 2010 and 2016, Hispanics accounted for 76.4 percent of the growth in the U.S. labor force or three out of every four new workers added to the U.S. economy.** Hispanics have a higher labor force participation rate than any other ethnic demographic, at 66.1 percent as of January 2017.¹

In 2015, Hispanic household annual median real incomes rose by 6.1 percent, the largest gains among all population groups, while poverty among Hispanics further declined to 21.4 percent.² This growth is evident across all income brackets, as Hispanics also experienced the largest increase of any demographic in households earning \$200,000 or more annually between 2005 – 2014.³

Latinos accounted for 20.8 percent of new entrepreneurs in 2015, up from 10.0 percent in 1996.⁴ A recent study by the Stanford Latino Entrepreneurship Initiative (SLEI) noted an increase in Latino-owned businesses from 3.3 million in 2012 to approximately 4.2 million by the end of 2016.⁵ Interestingly, owner demographics for Latino firms are startlingly different from those of non-Latino firms. About one-half are owned by Millennials and hold degrees from four-year institutions. Both figures are more than twice the national rate.⁶

CHANGES IN COMPOSITION OF NEW ENTREPRENEURS BY RACE/ETHNICITY

(1996, 2015)

RACE/ETHNICITY	1996	2015
White	77.1%	60.7%
Black	8.4%	8.9%
Latino	10.0%	20.8%
Asian	3.4%	5.7%
Other	1.0%	3.9%

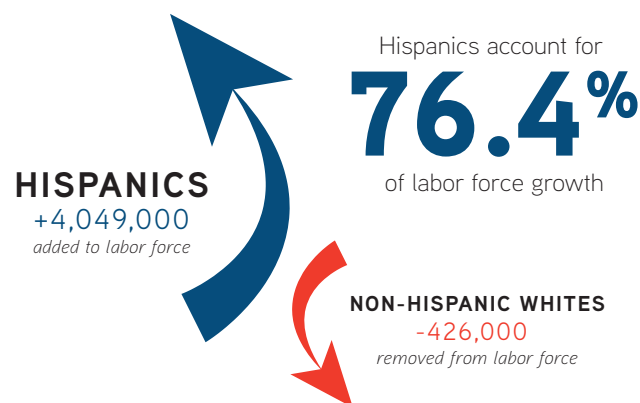
Origin: Kauffman Foundation

Obstacles for Homeownership Growth

Today, Hispanics are declined for conventional home loans at a rate that is 7 percentage points higher than the national average.⁷ Since the housing crisis, mortgage credit has been tight in all market segments. The average credit score for a mortgage borrower was approximately 40 points higher in 2016 than in 2000. Today, otherwise credit-worthy borrowers with scores lower than the current average are effectively being shut out from homeownership, especially from conventional mortgage financing.⁸ First-time homebuyers who typically have less cash for down payments and

LABOR FORCE GROWTH

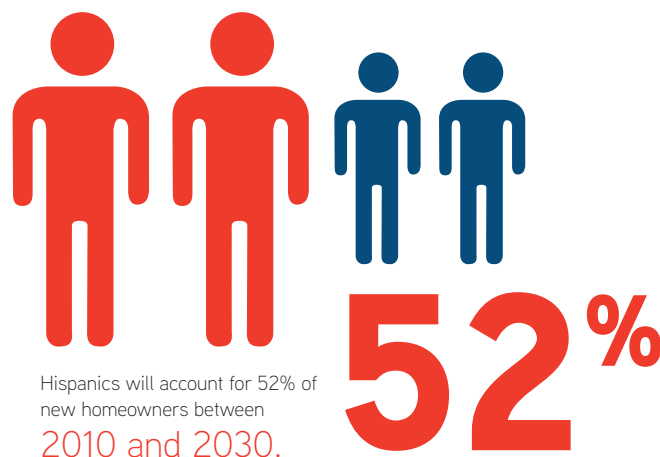
2010-2016



Origin: Bureau of Labor Statistics

lower credit scores are affected disproportionately by tighter credit standards. **Nearly half of all first-time buyers are Hispanic.** Many lenders attribute the tightening of mortgage credit to the substantial increase in cost and risk associated with regulatory compliance.

A dearth of available homes for purchase driven by ongoing competition from investors and a minimal amount of new homes being constructed leaves few options for would-be buyers who can qualify for a mortgage under current conditions. Additionally, real estate and mortgage professionals who speak Spanish and understand the cultural nuances of Hispanic consumers are invaluable resources to many buyers. A shortage of culturally competent real estate and mortgage professionals in several markets, especially in the South and other non-traditional markets, make the process more challenging for potential buyers who are Hispanic and entering the market for the first time.

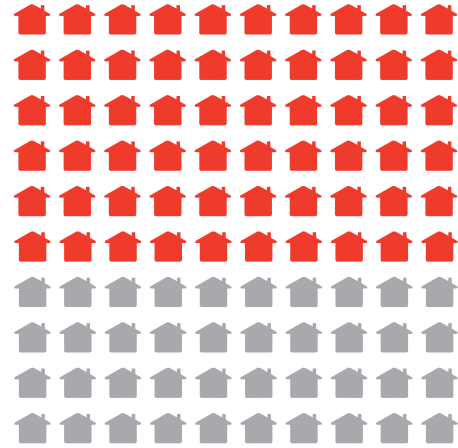


Origin: Urban Institute

Conclusion

Hispanics are earning more money, becoming better educated, and forming households at a faster pace than any other demographic. They also continue to demonstrate a strong desire for homeownership. As the Hispanic population ages into prime home-buying years, homeownership rates will continue to rise.

While the Hispanic market has outgrown the “niche” segment designation, the housing industry is just beginning to fully recognize its significance to the vitality of the overall market and is responding with products and services that are more relevant to the needs of Hispanic consumers. The continued growth of Hispanic homeownership is not guaranteed without favorable government policies and an industry that is focused on developing solutions as the market continues to evolve. However, a strong Hispanic housing economy is increasingly critical to the health and well-being of the overall economy. Since 2010, Hispanics have achieved a net gain of 1,103,000 homeowners, going from 6,198,000 in 2010 to 7,301,000 in 2016. In contrast, there were 2,270,000 fewer non-Hispanic White homeowners during the same period. Without growth from the Hispanic segment, the post-recession housing market would be weaker and wealth gains from home equity appreciation would be materially less in many regions of the country.



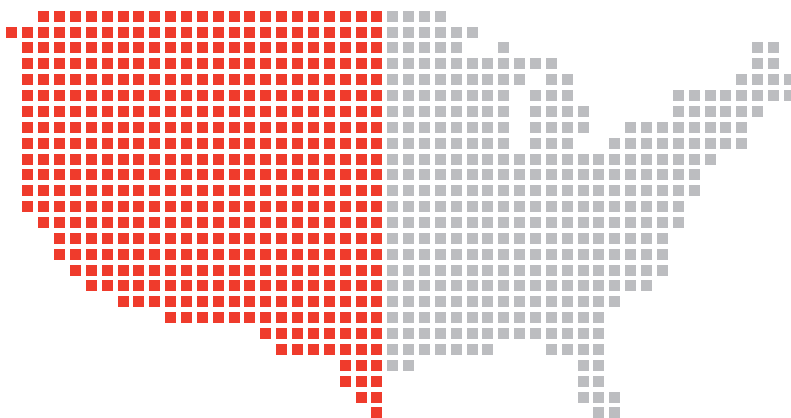
Since 2010, Hispanics have attained a cumulative net increase of 1,103,000 homeowners, accounting for

**60% of total
homeownership growth**
in the U.S.

Origin: U.S. Census Bureau

SECTION 1: HISPANIC POPULATION AND HOUSEHOLD FORMATION TRENDS

In 2015, the Hispanic population reached a new high of 57 million, an increase of 1.6 million from 2014, representing nearly 18 percent of the U.S. population. According to the Census Bureau, from 2000 – 2015, 90 percent of Latino population growth resulted from native births, and only 10 percent from immigration. From 2010 – 2015, Hispanics accounted for more than half of the population growth in the U.S. The Hispanic share of the overall population will continue to rise and is expected to reach 119 million, representing 30 percent of the total U.S. population by 2060.⁹



From 2010-2015, Hispanics accounted for more than
HALF THE POPULATION GROWTH
in the United States.

Origin: U.S. Census Bureau

FAST FACTS

Household: A group of people living together under one roof.

Household Formation: The creation of a given household. There are many types of households and the type of household can serve as an economic indicator. For example, a student moving out of his/her parent’s home into an apartment is categorized as a household formation. An increase in household formations is typically a leading indicator of downstream potential for an increase in owner households.

Owner Household: A household where the people living within it purchased the residence, either outright or with financing.

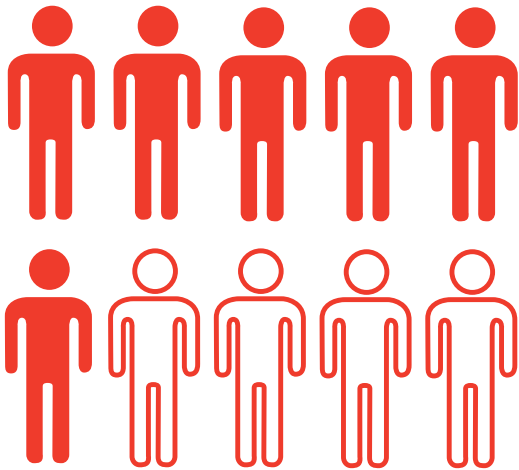
First-Time Homebuyer: An individual who does not currently own his/her residence and has not been an owner of a residence for at least three years leading up to a purchase. This can include someone who has never owned, or someone who has previously owned, as long as it has been at least three years since the previous residence was purchased.

It is not yet clear what affect mass deportations of undocumented Hispanics will have on population growth and household formation trends. Since 2005, 96 percent of deportees have been Hispanic and 85 percent have been working men. It is clear this policy approach will have a measurable impact on projected household and population gains for Hispanics.



Nine states now have a population of 1 million or more Hispanics – Arizona, California, Colorado, Florida, Illinois, New Jersey, New Mexico, New York, and Texas.¹⁰ At 15.2 million, the Hispanic population of California is the largest of any state and is projected to reach 25.5 million by 2060.¹¹ Los Angeles is home to the largest Hispanic population of any county in the country at 4.9 million.¹² By 2020, Hispanics will also represent the largest population segment in Texas.¹³ When that occurs, Hispanics will be responsible for the largest racial/ethnic population growth in America’s two most populous states.

While growth may be expected in locations where Hispanics have generally been concentrated, they have increasingly become geographically distributed across the U.S. in non-traditional markets. Some of the fastest growth of the Hispanic population has occurred in the South: Russell County, Alabama; Bryan County, Georgia; and St. Bernard Parish, Louisiana. Perhaps most notable, however, is the rapid increase in North Dakota, which has four of the top ten fastest growing Hispanic populations, including Williams County, Stark County, Ward County, and Burleigh County. Williams County alone experienced a 367 percent increase in its Hispanic population from 2007 – 2014.¹⁴



Nearly **six-in-ten** Hispanics are Millennials or younger.

Origin: Pew Research Center

Not only is the Hispanic population on the rise in non-traditional markets, **it is also responsible for 47 percent of the growth in the U.S. population from 1990 – 2014.**¹⁵ With nearly six-in-ten Hispanics categorized as Millennials or younger, Hispanics as a whole are more youthful than any other U.S. demographic.¹⁶ The median age for Hispanics is 28 years, versus 37 for the overall population. The disproportionately young profile of Hispanics is a stark contrast to that of non-Hispanic Whites and based on birth rates this progression will continue. Nationally, the ratio of non-Hispanic White births is only at 1.04 births for every death. However, in approximately one-third of U.S. states, the death rate for non-Hispanic Whites is actually outpacing their birth rate. In contrast, the ratio is considerably higher among Latinos, whose rate is 5.4 births for every death.¹⁷

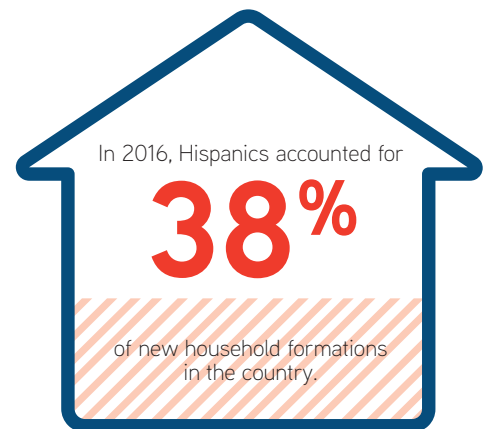
The majority of the Hispanic population growth now results from U.S. births as opposed to immigration. Today, more than 93 percent of Hispanics under age eighteen are native born U.S. citizens with more than 800,000 of these individuals turning eighteen every year.¹⁸ This demographic shift is evident in the public school system and predictive of continued growth from the Latino population where Hispanic children represent 20 percent of the kindergarteners in 17 states.¹⁹ The increase in Latino kindergarten students is occurring in places not previously known for substantial Hispanic populations, including Washington, Oregon, Idaho, Nebraska, Colorado, Kansas, Massachusetts, and Connecticut.²⁰ As such, this data suggests Hispanic household formations are likely to drive increased homeownership in those same states in the foreseeable future.

Hispanic households are more likely than that of non-Hispanic Whites to be comprised of two parents and at least one child, a household composition that is also more likely to become an owner household.

42.5 percent of the overall household growth in the U.S. for the past 16 years.

From 2000 – 2016 the number of Hispanic households grew by 73 percent, from 9.2 million to 15.9 million. During that same time period, the number of non-Hispanic households in the U.S. grew by only 10 percent, from 93.4 million to 102.4 million. This means that Hispanics represented

In 2016, the number of total Hispanic households grew by 330,000 accounting for 38 percent of total U.S. household formation growth. This represents the largest share of household growth for any major racial or ethnic population group in the country. Over the next ten years, U.S. household growth will be led by nearly 6 million additional Hispanic households that will continue to fuel this growth through 2024.²¹



Origin: U.S. Census Bureau

SECTION 2: HOMEOWNERSHIP AND THE ROLE OF HISPANICS IN THE NATION'S ECONOMY

Homeownership

In 2016, 7,301,000 Hispanic households owned their homes. This was a 209,000 increase from the previous year, and accounted for 74.9 percent of the net growth in overall U.S. homeownership. For the second consecutive year, the Hispanic homeownership rate defied national trends. The Hispanic homeownership rate increased from 45.6 percent in 2015 to 46.0 percent in 2016, while the nation's overall homeownership rate declined to 63.4 percent, a 51-year low. Comparatively, the rate of homeownership for non-Hispanic Whites remained flat at 71.9 percent, while the rate of homeownership for both Blacks (42.2 percent) and Asians/others (55.5 percent) both declined by approximately one full percentage point during the same year.

Since 2000, Hispanics have added 3,059,000 new homeowners. In contrast, the overall number of U.S. homeowners declined by 53,000 during the same period. The growth in Hispanic-driven homeownership in the country is most clearly seen since the year 2010, when Hispanics gained 1,103,000 net new homeowners while the total number of U.S. homeowners declined by 427,000. The drop is driven primarily by non-Hispanic Whites who represent the largest share of Baby Boomers and other aging populations and had 2,270,000 fewer homeowners from 2010 – 2016. The Hispanic homeownership gains have had a net positive impact on overall U.S. homeownership, effectively preventing more drastic declines in the overall homeownership rate.

While the 0.4 percent increase in the Hispanic homeownership rate seems modest, it occurred simultaneously as the household formations rose at an even more rapid pace, establishing a multi-year trend in these categories.

FAST FACTS

Percent: Any proportion or share in relation to a whole. Percent is expressed as a fraction of 100. For example, the rate of homeownership in 2016 was 63.4 percent.

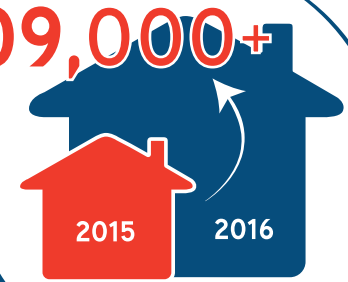
Percentage Point: The numerical difference between two percentages. For example, from 2010 – 2016 the overall U.S. homeownership rate fell by 3.4 percentage points from 66.8 percent to 63.4 percent.



In 2016, 7,301,000 Hispanic households owned their home

209,000+
accounting for
74.9%

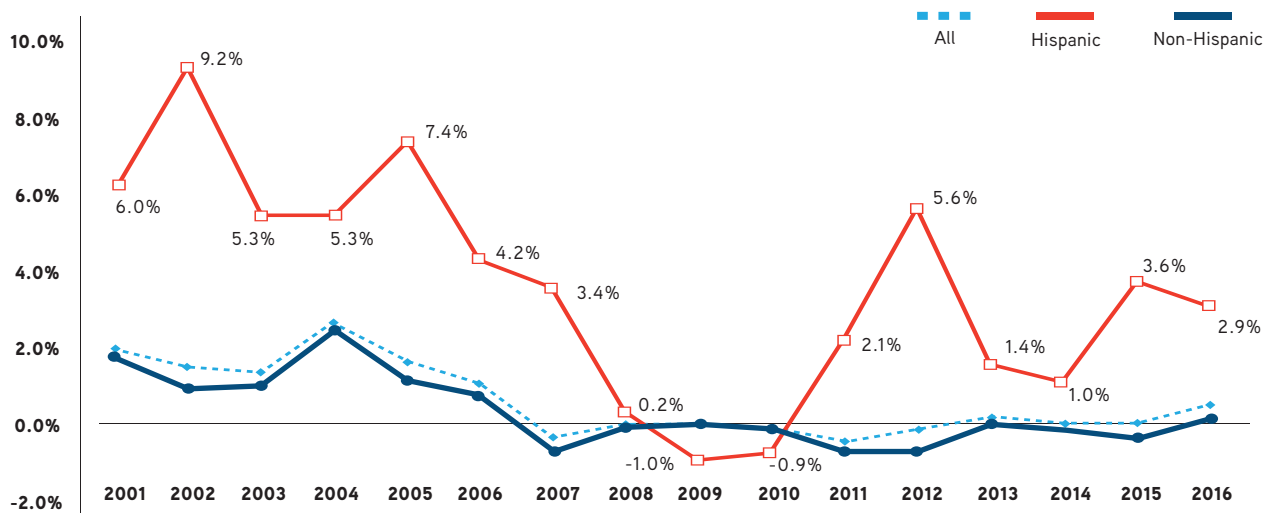
overall net
growth in U.S.
homeownership
from 2015 – 2016



Origin: U.S. Census

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

Percentage Changes in the Growth of Owner Households in the U.S. from 2000 – 2015



Labor Force Participation and Employment Growth

From 2010 – 2016, Hispanics accounted for 76.4 percent of the growth in the U.S. labor force, or three out of every four new workers added to the U.S. economy. As of January 2017, the Hispanic labor force participation rate of 66.1 percent was higher than that of any other ethnic demographic and 3.2 percentage points greater than the overall labor force participation rate of 62.9 percent.²² Given the younger profile of the Latino population and its steadily increasing share of population growth, it is likely that this trend will continue well into the future.

A rapidly growing, young, and thriving Hispanic population is paramount to the nation's long-term employment, business, and economic growth. According to IHS Economics, the Hispanic labor force is expected to make up nearly a quarter of the total U.S. labor force and to account for more than 65 percent of the growth in the U.S. labor force from 2015 – 2034.²³

FAST FACTS

Labor Force Participation Rate: The percentage of the population over the age of 16 who is either working or actively seeking work. The overall labor force is made up of two buckets, the employed and the unemployed. Consequently, people who are neither employed nor looking for employment are not in the labor force.

Unemployment Rate: The percentage of the population who are jobless, have actively looked for a job in the prior 4 weeks, and are available for work.

Income

Hispanic household annual median real incomes rose by 6.1 percent, the largest gains among all population groups, while poverty among Hispanics further declined to 21.4 percent.²⁴ Over the past decade, Latinos have been responsible for 29 percent of real income growth in the country, with the number of Latino households with incomes over \$150,000 growing by 194 percent from 2005 – 2015.²⁵ This growth is evident across all income brackets, as Hispanics experienced the largest increase of any demographic in households earning \$200,000 or more annually from 2005 – 2014.²⁶ As Hispanics continue to make real income gains, they will be in a more opportune position to participate in homeownership.

Education

Over the past decade, the high school dropout rate of Hispanics has been cut in half.²⁷ In 2015, Hispanics achieved a high school graduation rate of 78 percent, an increase of five percentage points since 2010, helping to boost the national graduation rate to 82 percent.²⁸

More Hispanic students are also graduating from college. In 2015, 864,000 Hispanic adults earned a bachelor's degree or higher, up 295,000 since 2009 – an increase of 5.2 percentage points.²⁹ Overall, 15 percent of the Hispanic population age 25 or older (4.8 million) had at least a bachelor's degree or higher in 2015. Of this total, 1.5 million had a master's, professional, or doctorate degree.³⁰

Entrepreneurship and Purchasing Power

Latinos accounted for 20.8 percent of new entrepreneurs in 2015, up from 10.0 percent in 1996.³¹ A recent study by the Stanford Latino Entrepreneurship Initiative (SLEI) noted an increase in Latino-owned businesses from 3.3 million in 2012 to approximately 4.2 million by the end of 2016.³² Interestingly, owner demographics for Latino firms are startlingly different from those of non-Latino firms. About one-half are owned by Millennials and half hold degrees from four-year institutions. Both figures are more than twice the national rate.³³

Hispanic businesses are growing at twice the national average and contributing \$668 billion annually to the U.S. economy.³⁴ The fastest-growing states for Hispanic business activity are California, Texas, and Florida. New York, Georgia, Arizona, and Illinois have also experienced substantial business growth.

Hispanics make up over 20 percent of all business owners in the U.S., compared to 10 percent a decade ago. This sustainability is most frequently seen in scaled businesses due in part to their participation in networked groups, including trade associations.³⁵ Successful Latino-owned firms are more likely to actively participate in the overall business landscape, including membership in trade associations and other groups, which appears to be directly linked to their scalability and long-term success.

Entrepreneurship is often a pathway to increased earnings for Hispanics. Forty percent of Hispanic business owners earn greater than \$75,000 in household income, compared to 23 percent of all Hispanics. Hispanic business owners are also 1.7 times more likely to earn in excess of \$100,000 per year compared to Hispanics overall.³⁶

The number of U.S. Latino businesses were estimated at 4.2 million in 2016, a growth rate of 28 percent since 2012. These figures are expected to increase, materially changing the composition of U.S. small business over time.

Income gains and business growth have fueled the U.S. Latino population's current purchasing power of \$1.4 trillion, more than that of the entire nation of Australia. If U.S. Latino consumers were a country, they would represent the world's fourteenth largest economy – ahead of both Spain and Mexico, and growing faster than the economies of India or China.³⁷

Even with growing purchasing power and income gains, Latinos have historically lagged in participation of financial services in comparison to the general U.S. population. A shift in this pattern occurred from 2005 – 2015, with Hispanics accounting for 100 percent of the net growth in checking accounts and 21 percent in savings accounts. In this same ten-year span, credit card adoption by Latinos grew by 5.1 million individuals, representing 49 percent of the overall U.S. consumer growth in this segment of the economy.³⁸ As Hispanic immigrants are often “credit invisible” or have “thin credit files”, these increased adoption rates of various financial products should have an improving impact over time on credit scores.

HISPANIC PURCHASING POWER IN 2016

\$1.4 trillion



Origin: Selig Center for Economic Growth

FAST FACTS

Credit Invisible: Individuals who are credit invisible are unscored because there is a lack of information to include on a credit bureau report. This occurs when a person does not use commonly reported forms of credit such as a credit card or auto loan.

Thin File: This is used to describe the credit score of a person who has a limited credit history. It means his/her credit bureau report shows a short history of credit, very few trade lines or both.

SECTION 3: CONSUMER ATTITUDES AND PREFERENCES

Fannie Mae National Housing Survey

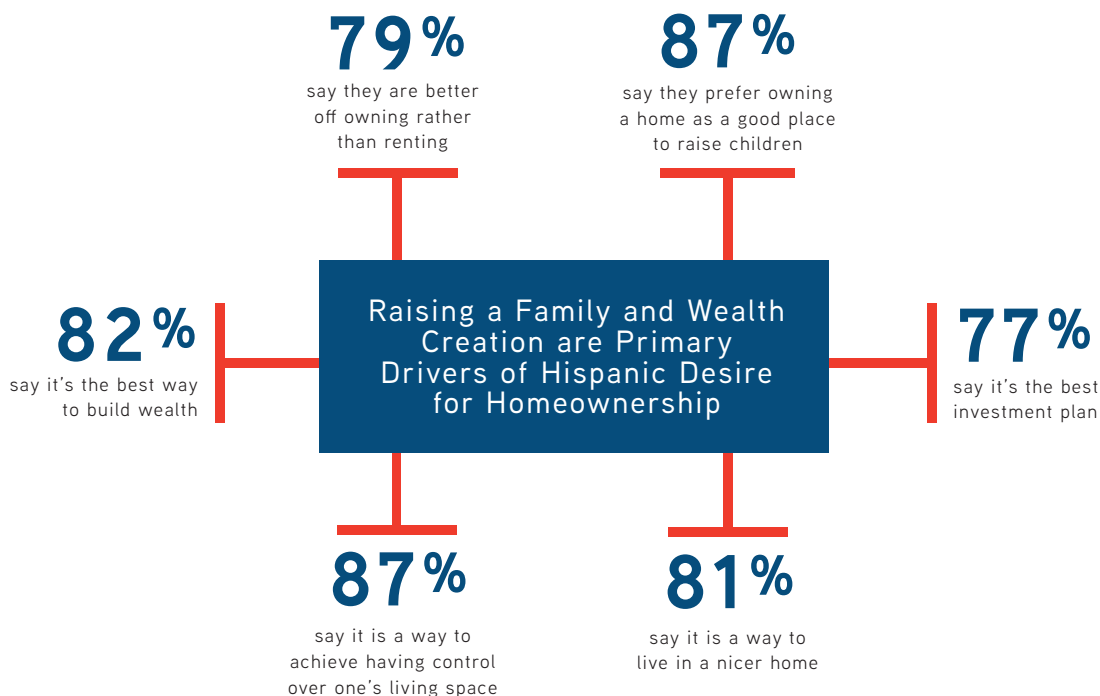
As part of an overall effort to support the housing market, Fannie Mae gathers attitudinal feedback from consumers on a regular basis. Its October and November 2016 survey shows that **Hispanics continue to hold an optimistic economic outlook but feel it is difficult to obtain access to credit.**

Hispanic perspective on finances and access to credit:

- Most Hispanics (58 percent) say they expect their personal financial situations to improve.
- Nearly half of all Hispanics (45 percent) say this is a good time to buy a home, noting low home prices and favorable mortgage rates as the primary drivers of this sentiment. However, most (67 percent) say that it is a difficult time to get a home mortgage.
- A majority of Hispanics (52 percent) expect both home prices and mortgage rates to go up during the next year.
- One out of three Hispanics (34 percent) identified affording the down payment or closing costs as the biggest obstacle to getting a mortgage today. More than one out of three Hispanics (36 percent) identified insufficient credit score or credit history as their biggest obstacle to getting a mortgage.

HISPANIC ATTITUDES TOWARD HOMEOWNERSHIP

Origin: Fannie Mae



Hispanics continue to overwhelmingly prefer homeownership to renting with more than 9 out of 10 indicating that in the future they are more likely to own a home than rent. If they were to move, 62 percent of Hispanics said they would be more likely to buy a home rather than rent. Of those who own a home, 90 percent of Hispanics indicate they are satisfied with the features of their current mortgage.

SECTION 4: BARRIERS TO HISPANIC HOMEOWNERSHIP

Lack of Housing Inventory

Single-family residential (SFR) housing stock is at historic lows. Institutional investor purchases of SFR properties increased by 29 percent in 2016, fueling a lack of available affordable housing stock.³⁹ Investor purchases were concentrated most heavily in affordable markets, especially in the South, effectively edging out first-time home buyers. In fact, 7 of the top 10 markets with the highest institutional investor share of purchases were in Georgia.⁴⁰

A shortage of new home construction is also fueling inventory concerns. On average, the financial impact of government regulations accounts for nearly one-fourth of the final cost of a new single-family home.⁴¹

Labor shortages of skilled workers in the construction industry are further exacerbating housing inventory lows. Current estimates indicate there are approximately 150,000 unfilled jobs in the construction industry and a lack of skilled workers to fill these positions.⁴²

Affordability issues are also closely linked to the lack of homes for sale. Inventory in the bottom- and middle-value tiers in metropolitan areas shrank by more than 38 percent from 2010 – 2015, even as household formations increased by 4.5 million in that same time span.⁴³ As a result, fewer than 20 percent of existing homes for sale in some of the nation's largest metropolitan areas are in the most affordable tier.⁴⁴ This includes the Dallas, Denver, Phoenix, Nashville, and Raleigh markets. Over the next decade, the Millennial generation is also expected to create two million households a year, aggravating the problem of a dried-up inventory of affordable homes.

Access to Credit

Hispanics continue to be denied mortgage loans at a higher rate than non-Hispanic Whites. In 2016, Hispanics were denied conventional loans at a rate of 17.3 percent, nearly 9 percentage points higher than the denial rate for non-Hispanic Whites. The disparity for denial rates of FHA loans is not as stark, with Hispanics being denied at a rate of 15.5 percent in comparison to non-Hispanic Whites at 11.4 percent.

Overall, 27 percent of Hispanic consumers are “credit invisible” or have an unscored credit record, preempting access to mortgage credit financing.⁴⁵ In fact, Hispanics make up 21 percent of the U.S. population that is “credit invisible”.⁴⁶ Some estimates indicate that the use of new credit scoring models could expand annual mortgage lending to Hispanics by 16 percent.⁴⁷

Shortage of Culturally Competent Professionals

The Urban Institute estimates that by 2030 Hispanics will be responsible for 56 percent of new homeownership gains.⁴⁸ However, those employed within the real estate and housing industries are not reflective of this burgeoning demographic. Current estimates indicate that 4 percent of mortgage professionals and 7 percent of real estate agents are Hispanic.⁴⁹ Approximately 25 percent of Hispanic buyers say they prefer to work with a real estate agent who can assist them in Spanish. While language is important, it is not the only cultural connector important to Hispanic buyers and sellers. Factors that influence their home purchase or sale include how they participate in financial services and who contributes to the decision making process of the transaction. Hispanics tend to reside in a multi-generational household of a typical nuclear family and include additional family members like grandparents or other adult relatives, all of whom contribute to household expenses. These influencing factors are interconnected with their culture and affect how they bank. This cultural nuance can impact determinations of credit worthiness.

Access to culturally competent real estate and mortgage professionals who speak Spanish and can recommend appropriate solutions to meet their needs creates a level playing field for prospective Hispanic homeowners. A critical shortage of such real estate and mortgage professionals in several markets puts limits on the number of potential buyers who are entering the market.

SECTION 5: MILLENNIAL CONSUMER NUANCES

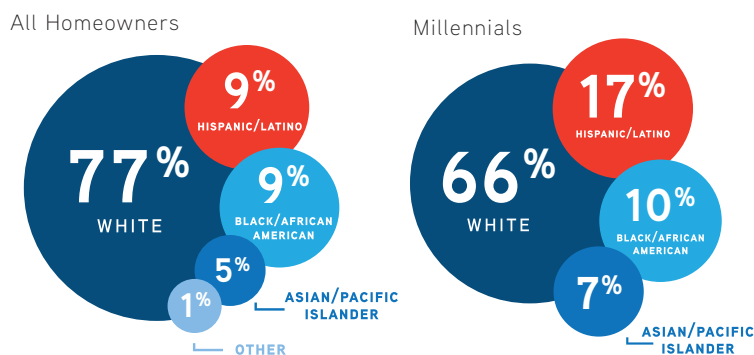
Entrepreneurs and Technology

Home buying populations are becoming increasingly diverse. A recent Zillow study notes that at 14 percent of home buyers, Hispanics represent the largest segment of non-White Millennial home buyers.⁵⁰

Not surprisingly, homeownership often precedes business ownership. An increasing share of Hispanic entrepreneurs are Millennials, with close to half of all Latino-owned businesses headed by Millennial owners, many of whom are college educated.⁵¹ Of Latino businesses earning over \$1 million annually, more than 40 percent are owned by Millennials and 45 percent employ 50 people or more. This suggests Millennial owners are financially savvy and have access to extensive resources.

Latinos out index other demographics in their use of mobile technology to access the internet. Millennial Hispanics are more likely to manage their personal finances online and are also more likely to engage in complex financial transactions, such as purchasing mutual funds or online trading, through mobile devices.⁵² This affinity for social and mobile interaction informs how they engage with companies and will likely have an impact on where and with whom they do business. Companies that provide platforms that cater to mobile engagement and social interaction will have a competitive advantage with this consumer segment.

HOMEOWNERSHIP DIVERSITY



Origin: Zillow Group, *Consumer Housing Trends Report 2016*

Language

When it comes to language, younger Hispanics tend to be bilingual or English-dominant. In fact, 58 percent of Millennials are bilingual and only 14 percent are Spanish-dominant.⁵³ While Millennials can fluidly communicate in English, they intentionally interact with brands and companies that appeal to them through culture. As these buyers enter their prime home buying years, are increasingly well-educated, and are more financially successful, they will place a greater value on working with a real estate professional who connects with them through culture and can provide insight that complements their affinity for social consumption.

Three Reasons Why Hispanic Homeownership is on the Rise



#1

Enthusiasm for homeownership

The continued growth in Hispanic homeownership is most likely due to a number of factors. In addition to the fact that Hispanics are earning more and aging into their prime homebuying years, three other reasons appear to be accelerating Hispanic homeownership.

First, Hispanics consistently out-index other demographics in terms of their enthusiasm for homeownership. In their recent National Housing Survey, Fannie Mae highlighted several ways Hispanics prioritize homeownership. The 2016 survey indicated that 91 percent of Hispanics expect to be a homeowner at some point in the future and 87 percent view it as a good place for a family to raise children. The significance of a strong desire for homeownership cannot be over-stated. Where there is a will, there is generally a way.

Second, a growing number of major real estate firms, corporations and large lenders are developing products and initiatives aimed at better serving Hispanic homebuyers. In 2015, Wells Fargo made a commitment to lend \$125 billion in mortgages for Hispanic homebuyers over a ten-year period in support of NAHREP's Hispanic Wealth Project. The commitment is inspiring the creation of new products and includes expanding a more diverse workforce and investing in homebuyer counseling. In 2016, Bank of America partnered with Down Payment Resource to implement an online tool that consumers and real estate professionals can use to identify down payment assistance programs



#2

Products and initiatives that better serve Hispanic homebuyers

available for borrowers. Bank of America is publicizing the availability of these resources by conducting a series of market events aimed at educating the real estate professionals who service Latino homebuyers. In the secondary market, Fannie Mae and Freddie Mac have recently made modifications to their affordable lending products that address the financial habits of Hispanics and other underserved borrowers.

Several real estate franchises are implementing programs that incorporate various nuances that are applicable to Hispanic agents and homebuyers, and VantageScore® Solutions has continued to enhance their credit scoring products to score more thin credit or non-traditional borrowers, which include Hispanics, immigrants and other consumers. Mortgage insurers like Radian Guaranty are developing products and employing staff specifically directed in assisting their lending partners to serve their Hispanic customers.

Third, professional networks like NAHREP create awareness, disseminate best practices and advocate for corporate and government policies that help guide the industry to better serve the growing Hispanic demographic. They are also helping to spawn a surge of successful Hispanic entrepreneurs. According to a 2016 report from the Stanford Latino Entrepreneurship Initiative (SLEI), larger Hispanic-owned firms tend to belong to multiple business organizations where mentorship and peer-to-peer networking are available. Hispanic-owned mortgage



#3

Professional Networks

lenders like Alterra Home Loans in Nevada and New American Funding in California have leveraged their participation in NAHREP and other industry trade groups to expand their businesses. Both companies focus heavily on the Hispanic market and are now among the largest independent mortgage lenders in the country. They were part of a Freddie Mac pilot program named "Your Path" that includes expanded guidelines for borrowers who have seasonal work or income from sources that are more difficult to measure using traditional methods. Additionally, dozens of Hispanic real estate broker-owners along with several smaller technology firms are scaling their businesses and expanding into second tier markets such as Arizona, Georgia, Virginia and Tennessee.

NAHREP provides entrepreneurs with access to mentors and other useful relationships that help them scale their businesses and serve more Hispanic buyers and sellers. The success of Hispanic-owned firms can influence others in the industry by proving a particular model or set of best practices. The NAHREP ecosystem of industry participation from both Hispanic-owned and non-Hispanic owned firms encourages focus, innovation, and pushes the entire professional apparatus toward a better understanding of the Hispanic market opportunity and in the process is driving Hispanic homeownership forward.

SECTION 6: IMMIGRATION AND THE IMPACT ON HOUSING

The Effects of Deporting One-Third of the Undocumented Population

The Trump Administration has made immigration policy enforcement a top priority, putting the nation's 11.3 million undocumented persons at risk for deportation. While the White House and the Department of Homeland Security have stated that these policies are not a mass deportation plan but simply an enhancement of resources and guidance for enforcement officials, some express concern at the potential economic impacts of deporting significant numbers of the country's undocumented individuals.

NAHREP has long supported immigration policy reform that provides deportation relief, immigrant visas, non-immigrant visas, and a road to citizenship for those who seek to live and work in the United States. Taking an integrated approach to fixing the immigration system, rather than enforcing a broken system, will not only benefit the housing industry but will avoid an economic crisis caused by mass deportations. It is unlikely that all 11.3 million undocumented individuals will be deported, but even if only one-third, or approximately 3.7 million people were deported, the economic impact would nonetheless prove to be material.

Labor Force Participation of Undocumented Individuals

An estimated 8 million undocumented people are part of the U.S. labor force, accounting for 5 percent of individuals who are either working or actively seeking work.⁵⁴ As Hispanics comprise two-thirds of the country's undocumented population, they are also a disproportionately high percentage of the U.S. undocumented workforce.

Considering 85 percent of prior deportees were a part of the U.S. workforce, deporting just one-third of the remaining undocumented population would result in a loss of 3.1 million workers, or 39 percent of the overall undocumented workforce.⁵⁵

In the housing industry, 15 percent of construction jobs are held by undocumented persons.⁵⁶ In 2015, the U.S. Census Bureau estimated there are 9.6 million construction jobs, meaning 1.4 million of those jobs are held by undocumented workers. Removing 39 percent of those individuals would result in a loss of more than half a million construction workers. This is significant considering the construction industry is currently experiencing a shortage of skilled labor, meaning there are not enough workers to fill job openings in this industry.

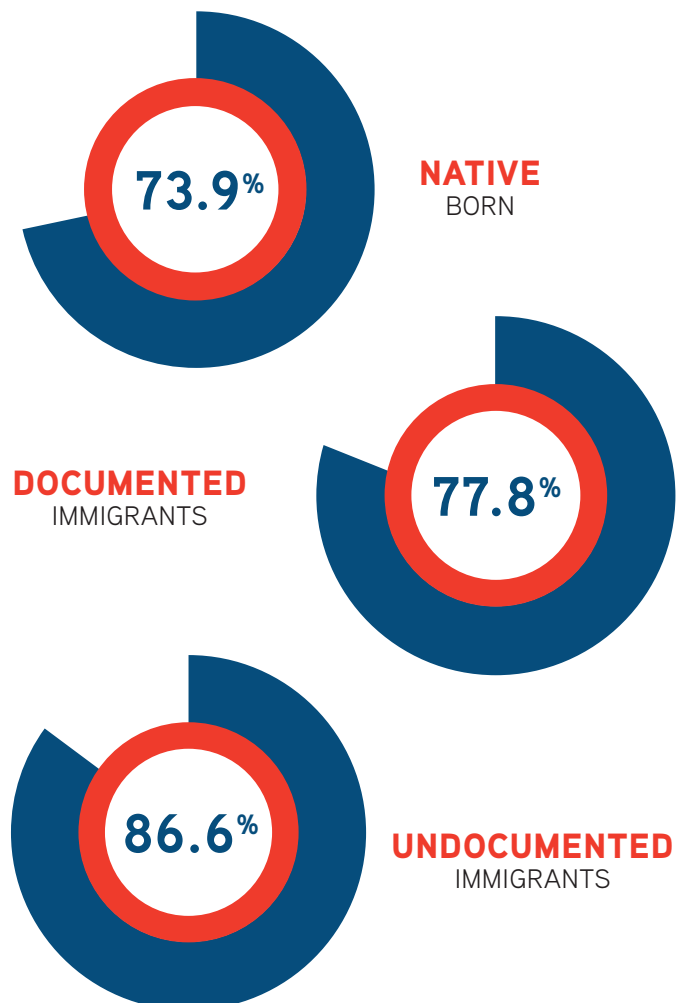
High costs for material and labor already limit the supply of new affordable housing. The removal of substantial portions of existing workers will drive up new home prices and exacerbate current inventory shortages, which are already at crisis levels.

The employment rate of undocumented immigrant men is higher than both documented immigrant men and native-born men, according to the National Bureau of Economic Research. In the 1990s, the employment rate of all three groups was roughly similar, but over the last few decades the employment rates of native-born men have fallen steadily with that of undocumented men increasing substantially.⁵⁷

This is due in large part to the continued trend of non-Hispanic Whites aging out of the workforce, while Hispanics, including the undocumented, participate in the labor force at a higher rate than non-Hispanics. With fewer available native-born workers to fill employment gaps, removing a substantial number of undocumented individuals from the existing workforce will have a disproportionate impact on the overall economy.

EMPLOYMENT RATES FOR MEN IN THE U.S.

Aged 20-64, 2012-2013



Origin: National Bureau of Economic Research

Tax Contributions from Undocumented Workers

Undocumented workers pay significant amounts in state and local taxes. According to the Institute on Taxation and Economic Policy, collectively the undocumented pay an estimated \$11.74 billion a year, or approximately 8 percent of their income.⁵⁸ Granting legal status to all undocumented workers would increase this contribution by 8.6 percent, thereby positively impacting the economy.⁵⁹ Conversely, deportation would remove a substantial portion of those tax contributions.

Who Are the Undocumented?

A 2017 report released by the Center for Migration Studies highlights that 66 percent of undocumented people who arrived in the U.S. in 2014 were not undocumented due to crossing the border illegally, but as a result of overstaying or otherwise violating the terms of their visas. This number has increased from the 61 percent of new arrivals in 2010 and 37 percent in 2004.⁶⁰

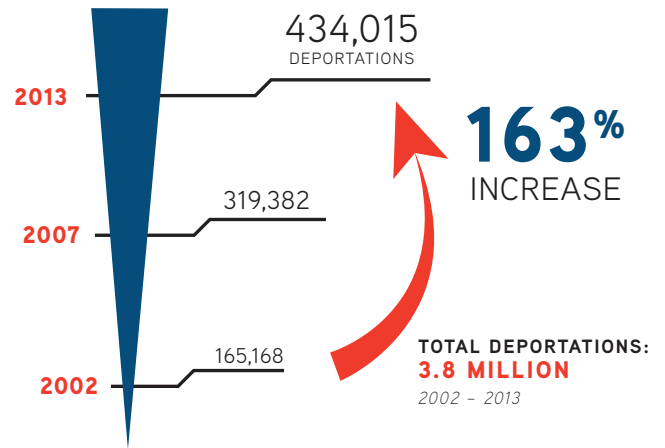
The majority of undocumented immigrants have been long-time members of their communities. Approximately two-thirds of adults living in the U.S. without documentation have been here longer than ten years, with a median length of residency at 13.6 years.⁶¹

Undocumented individuals often reside in mixed immigration status households. Consequently, 3.9 million K-12 students in U.S. public schools have at least one parent who is undocumented.⁶² Of these school-aged children, 3.2 million, or 82 percent, are American citizens themselves, making mass deportation an issue that would directly impact millions of U.S. children.

Deportations and the Housing Market

Between 2002 – 2013, deportations rose dramatically with a 163 percent increase within this time frame. Even though Hispanics represent two-thirds of the undocumented population, they are disproportionately subject to deportations, with an overwhelming number of male Hispanics in the work force deported. Of the individuals deported from 2005 – 2014, 85 percent were male workers and 96 percent were Latino.⁶³

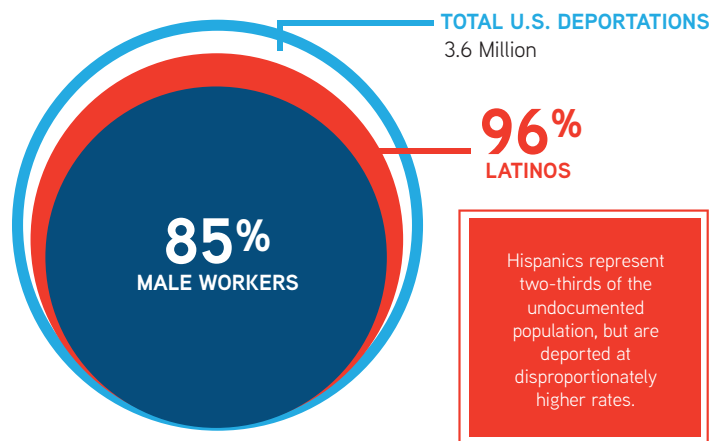
During the 2008 housing crisis, Latino households lost their homes to foreclosures more often than any other ethnic or racial group. A joint study by Brigham Young University and Cornell University linked deportations to increased foreclosure rates among Hispanic households. The findings suggested a detrimental synergy between deportations and foreclosures, which could result in prolonged stagnation of the housing market in areas with high immigration enforcement policies.⁶⁴



Origin: U.S. Department of Homeland Security, 2015

DEMOGRAPHIC PROPORTION OF DEPORTEES

2005 – 2014



Origin: U.S. Department of Homeland Security & Sociological Science Vol. 3, December 2016

Deporting one-third of the undocumented population would be a major blow to the nation's workforce and would cripple the already labor starved construction industry. Because a large number of undocumented persons have family ties to citizens and legal residents, the impact of a sharp increase in deportations would affect many more people than the individuals deported. The housing market is disproportionately dependent on Hispanics to fuel first-time buyer activity, which ultimately affects all segments of the housing market. A substantial ramp-up of deportations would almost certainly drive a still fragile housing market into recession or worse.

Hispanics are earning more money, becoming better educated, and forming households at a faster pace than any other demographic. They also continue to demonstrate a strong desire for homeownership. As the Hispanic population ages into prime home buying years, homeownership rates are projected to rise.

However, these projections are dependent upon an industry that evolves alongside the changing consumer demographic that is fueling current homeownership gains. Hispanics, especially Millennials, demand engagement through social and mobile interaction via cutting-edge technology for which the financial services and real estate sectors are not historically known. The volume of Hispanic consumers and their appetite for tech-based products will drive innovation from FinTech firms and other companies that choose to meet them where they are. These trailblazers will differentiate themselves from the field of industry participants who are otherwise fixed on serving consumers with the same tools and techniques as were once appropriate.

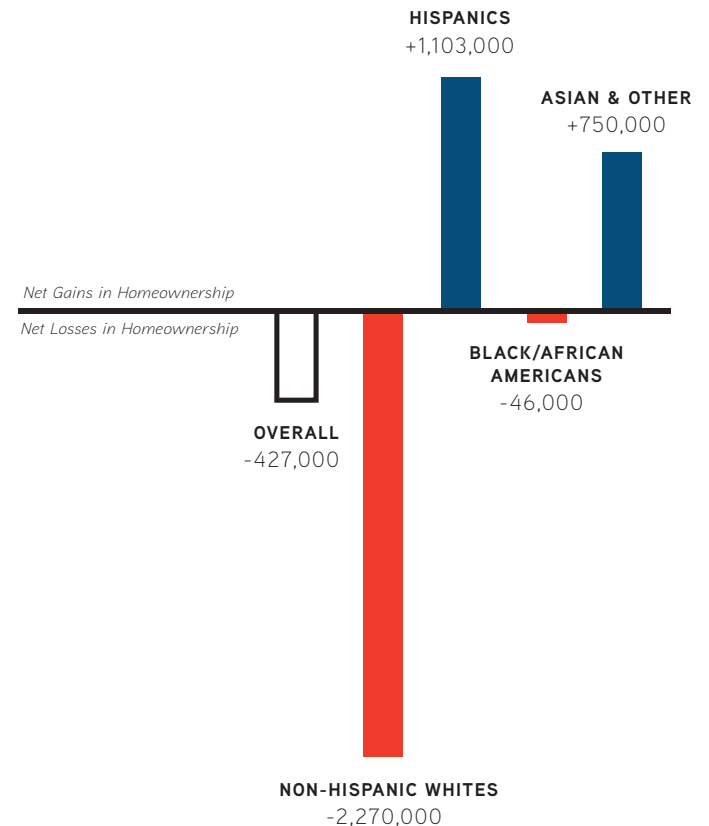
While the Hispanic market has outgrown the “niche” segment designation, the housing industry is just beginning to fully recognize its significance to the vitality of the overall market and is responding with products and services that are more relevant to the needs of Hispanic consumers. The continued growth of Hispanic homeownership is dependent not only on technological innovation but also on favorable government policies and an industry that is focused on developing solutions that meet the needs of the increasing Hispanic segment.

As Hispanics are projected to represent nearly 60 percent of homeownership gains within the next 15 years, a strong Hispanic housing economy is critical to the health and well-being of the overall economy. Since 2010, Hispanics have achieved a net gain of 1,103,000 homeowners, going from 6,198,000 in 2010 to 7,301,000 in 2016. In contrast, there were 2,270,000 fewer non-Hispanic White homeowners during the same period. Without growth from the Hispanic segment, the post-recession housing market would be weaker and wealth gains from home equity appreciation would be materially less for most homeowners. Hispanics have become the fundamental drivers of U.S. homeownership growth. Their population and homeownership gains create an economic imperative to address the needs of this consumer or risk adversely impacting the overall U.S. economy.

NET HOMEOWNERSHIP CHANGE

2010 – 2016

Origin: U.S. Census Bureau



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2017 NAHREP POLICY POSITIONS

OVERVIEW

With more than 26,000 members and 50 chapters, the National Association of Hispanic Real Estate Professionals® (NAHREP®) is one of the nation's largest Hispanic business organizations. Annually it reevaluates its position on a number of key policy issues which have a direct impact on the association's ability to accomplish its mission. The 2016 call to action focused on improving access to credit. While access to affordable mortgage credit remains a priority, in 2017 the association's focus transitions to a three pronged approach on the most critical issues affecting sustainable Hispanic homeownership growth.

NAHREP is intent on ensuring a government focus that preserves access to homeownership for first-time buyers, encourages small business growth and does so without disrupting the country's economic ecosystem.

NAHREP POLICY PRIORITIES

DUMP THE WALL

President Donald Trump launched his campaign with a commitment to end undocumented immigration by building a wall between the U.S. and Mexico and deporting the 11.3 million undocumented people who currently reside in the U.S. It is fair to assume that **a porous border creates security risks, suppresses wages, and undermines the efforts of our law enforcement community.** However, net undocumented migration from Mexico has been zero in recent years and, as of 2014, more than two-thirds of the undocumented were admitted through legal channels and simply overstayed their visas. The Cato Institute deemed the border wall an impractical, expensive, and ineffective solution, suggesting that spending \$21.6 billion on a border wall that will take a minimum of 3.5 years to build is not a reasonable answer.

PRESERVE HOMEOWNERSHIP

For First-time Homebuyers

An annual Fannie Mae survey of consumer trends consistently illustrates that Hispanic enthusiasm for homeownership out-indexes that of every other ethnic group. Hispanics are expected to account for 52 percent of new homeowners from 2010 – 2030. In 2016, the overall U.S. homeownership rate reached a 51-year low while Hispanic homeownership continued a two-year increase and represented 74.9 percent of the net homeownership gains that year. As Hispanics are just entering their prime home buying years, policies that advance opportunities for hard-working families to realize their dreams of homeownership are especially critical to ensure additional homeownership gains by Hispanics.

SUPPORT SMALL BUSINESS SUCCESS

Hispanics are entrepreneurs. Like many immigrant populations before them, the most plausible path to prosperity for many Hispanics is to start a business. Small businesses are also expected to add more private sector jobs than any other segment. However, the cost and risk of starting a small business are higher than ever before—especially for micro-businesses with two or fewer employees. The large majority of Hispanic-owned businesses are micro-businesses that are not impacted by the typical issues affecting larger businesses, such as the rising cost of paying for their employee's healthcare. Rather, these small businesses are disproportionately impacted by high taxes and a complicated tax code.

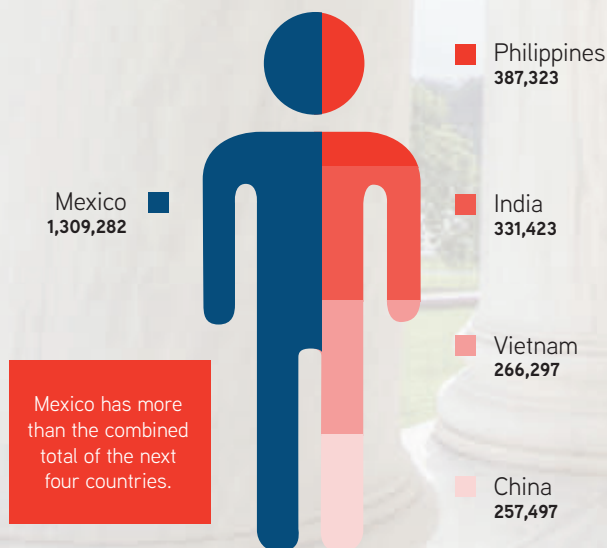
DUMP THE WALL

President Donald Trump launched his campaign with a commitment to end undocumented immigration by building a wall between the U.S. and Mexico and deporting the 11.3 million undocumented people who currently reside in the U.S. It is fair to assume that a **porous border creates security risks, suppresses wages, and undermines the efforts of our law enforcement community.** However, net undocumented migration from Mexico has been zero in recent years and, as of 2014, more than two-thirds of the undocumented were admitted through legal channels and simply overstayed their visas. The Cato Institute deemed the border wall an impractical, expensive and ineffective solution, suggesting that spending \$21.6 billion on a border wall that will take a minimum of 3.5 years to build is not a reasonable answer.

From 2005 - 2014, deportations rose by 163 percent. While Hispanics represent two-thirds of the country's undocumented population, they represent 96 percent of the people deported during that timeframe. Although approximately 40 percent of undocumented individuals are women, **85 percent of deportees are working men and are almost exclusively Hispanic.** It is clear that Hispanics are disproportionately targeted for deportation. Given that Hispanics, including the undocumented, participate in the labor force at higher rates than any other segment of the U.S. population, deporting them in mass numbers will have a destabilizing effect on the U.S. economy. In addition, studies have shown a detrimental synergy between deportation of Hispanics and an increased number of home foreclosures, further suggesting that an enforcement approach to the country's immigration quandary will affect not only Hispanics, but the country's overall economy.

U.S. VISA APPLICATIONS

Top 5 Countries as of November 2016



Origin: U.S. Department of State

Hispanics care about more than just immigration. However, focusing so much of our government's time, attention and resources on this divisive approach, which includes an expensive wall and mass deportations, elevates the issue's importance for most Hispanics making it a burning platform requiring immediate engagement and attention.

Pass Comprehensive Immigration Reform:

With majorities in both the House and the Senate, the current Administration is well positioned **to fix our broken immigration system once and for all.** NAHREP urges the federal government to focus its efforts on comprehensive immigration reform strategies which would constitute a more effective use of \$21.6 billion than a border wall.

Policy Recommendations

- **Immigrant and Non-Immigrant Visas:** Immigrant visa issuance is capped at 7 percent from any one country for family-sponsored and employment-based visas, irrespective of demand or length of the wait list. **As of November 2016, Mexico topped the list with 1,309,282 applicants on the wait list, more than the combined total of the next four countries (Philippines, India, Vietnam, and China).** This means that for an immigrant from Mexico, where the demand to immigrate to the U.S. through the current system is greatest, the wait can be up to 20 years. Relying heavily on immigrant contributions while simultaneously expecting them to wait for decades to immigrate legally is an unreasonable expectation. In addition, given that most undocumented immigrants are currently in the U.S. by virtue of an overstayed non-immigrant visa obtained through legitimate means, creating a mechanism to consistently address this problem would also tackle the primary source of undocumented immigration to the U.S.
- **Deportation Relief:** Approximately 1.5 million individuals have been granted temporary deportation relief under the Deferred Action for Childhood Arrivals (DACA) or Temporary Protected Status programs. These programs require renewal by participants since their relief from deportation is temporary. Additional provisions first proposed for expansion by the Obama Administration were not implemented. Those provisions would have protected an additional 3.9 million individuals, primarily parents of U.S. citizens or legal residents, from deportation. NAHREP urges the federal government to preserve current deportation relief provided under the previous administration and to consider additional relief for undocumented individuals.
- **Path to Citizenship:** A majority of the undocumented have lived and worked in the U.S. for more than 10 years. They continue to make contributions to the economy by participating in the labor force, purchasing goods and services, and becoming homeowners. Defining a path to permanent status as citizens would increase their tax contributions and bring them out of a shadow economy, benefitting the country overall.

PRESERVE HOMEOWNERSHIP OPPORTUNITIES FOR HISPANICS AND OTHER FIRST-TIME HOMEBUYERS

An annual Fannie Mae survey of consumer trends consistently illustrates that Hispanic enthusiasm for homeownership out indexes that of every other ethnic group. Hispanics are expected to account for 52 percent of new homeowners from 2010 – 2030. In 2016, the overall U.S. homeownership rate reached a 51-year low while Hispanic homeownership continued a two-year increase and represented 74.9 percent of the net homeownership gains that year. As Hispanics are just entering their prime home buying years, policies that advance opportunities for hard-working families to realize their dreams of homeownership are especially critical to ensure additional homeownership gains by Hispanics.

Policy Recommendations

- **Improving credit access for first-time homebuyers.** While Hispanics have experienced steady income gains, wealth accumulation continues to lag. This circumstance directly affects homeownership prospects for families who can afford the monthly mortgage payments but may not have the down payment required to purchase a home. Affordable lending products with low down payment requirements and private mortgage insurance that are guaranteed by Fannie Mae and Freddie Mac or fully insured by the Federal Housing Administration (FHA) program are the best sources of mortgage financing. FHA's flexibility in lending to borrowers on the credit margins continues to make it critical to Hispanics and other first-time homebuyers. **Preserving and protecting FHA programs are vital to the overall housing economy.** NAHREP

urges the federal government to implement the FHA mortgage insurance premium reduction (MIP) proposed in January 2017 making homeownership more affordable for Hispanics and other first-time home buyers.

- **Increase the availability of affordable homes by reducing barriers to new home construction.** The home construction business was devastated during the great recession and while household formations grew by almost 5 million households from 2008 – 2014, the construction of new homes was almost non-existent. Lack of construction caused a **massive shortage of affordable homes for purchase.** The cost of over-regulation, excessive capital reserves, and leverage restrictions imposed on homebuilders and exorbitant construction fees have made building affordable homes cost prohibitive. The net results of this inventory shortage have been an increase in home prices and a decrease in affordability.
- **Improve tax policies that encourage homeownership.** The Mortgage Interest Deduction (MID) and the Mortgage Insurance Deduction have provided billions of dollars in tax savings to homeowners for decades. Policies like the MID have helped to make the U.S. a nation of stakeholders; however, many homeowners do not itemize their deductions and are unable to take advantage of this valuable program. The federal government should consider enhancements to the MID such as a **first-time homebuyer tax credit** that provides more tax benefits to low- to moderate-income homebuyers.

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Policy Recommendations

- **Reducing the regulatory burden.** Small businesses have more regulation to deal with than ever before. For example, **rules regarding independent contractors have recently become overwhelming** for small businesses. The Department of Labor has made it more difficult for employers to classify people who

are integral to their business as independent contractors. The cost and complexities associated with managing employees versus independent contractors are prohibitive for many small businesses. In general, reducing the regulatory burden for small businesses would assist Hispanic entrepreneurs and get more people working.

- **Reducing taxes and simplifying the federal tax code.** According to a survey of small business owners, nearly 60 percent said that administrative burdens were the biggest challenge to their businesses posed by federal taxes. Reducing taxes for small businesses and simplifying the tax code would have a positive effect. In addition, providing tax credits for micro-businesses with employees would help offset Social Security and Medicare taxes that are the most burdensome for many micro-business owners.

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