

AN AGENT'S GUIDE TO WORKING WITH THE LATINO COMMUNITY



**FOURTH
EDITION**

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How Do Hispanics View Homeownership?

The results of a survey conducted by *Fannie Mae* show that the Hispanic community continues to hold an optimistic economic outlook.

The report revealed:

- 81% of Hispanics agree that owning a home is a good long-term investment
- 60% of Hispanics say they expect their personal financial situations to improve

In their *2017 State of Hispanic Homeownership Report*, the *National Association of Hispanic Real Estate Professionals* (NAHREP) also shared data about the Hispanic community's attitude toward homeownership revealing that:

- One in four Hispanics believe it is now a good time to buy a home
- 78% of Hispanics believe that owning a home allows for control over one's living space
- 88% of Hispanics indicated that they are more likely to own than rent in the future

As we can see, this is a community with a strong belief in homeownership!

The same survey, however, revealed that 56% of Hispanics believe that right now is a difficult time to get a mortgage, citing the three primary obstacles as: 1) Insufficient credit score or credit history; 2) Affording the down payment or closing costs; 3) Insufficient income for monthly payments.

As we know, some of these myths can be easily dismantled. All it takes is a dedicated real estate professional, like yourself, to educate the Hispanic community on the opportunities available to them in their current marketplaces!

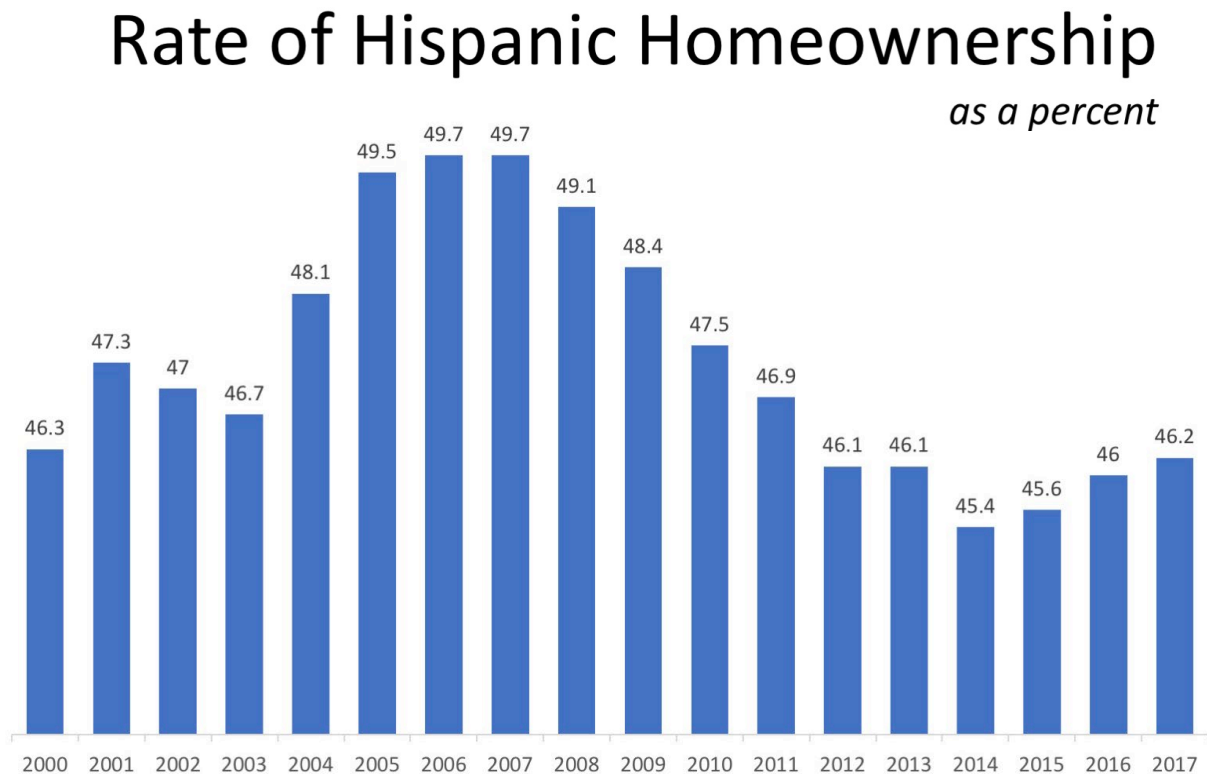
The Rate of Hispanic Homeownership

Hispanic homeownership rates have continued to increase over the last three years, according to the *National Association of Hispanic Real Estate Professionals (NAHREP) 2017 State of Hispanic Homeownership Report*. The following quote comes directly from NAHREP's report:

"In 2017, 7,472,000 Hispanics owned a home, an increase of 167,000 from 2016's numbers. This increase equates to a Hispanic homeownership rate of 46.2 percent for 2017, an increase of 0.2 percent from 2016's percentage. Hispanics are the only demographic to have increased their rate of homeownership for the last three consecutive years.

...Hispanics accounted for 15 percent of the net homeownership gains in 2017, a smaller percentage than has been the case in recent prior years. However, looking at the data over a broader period of time, Hispanics have been responsible for 46.5 percent of net U.S. homeownership gains since 2000."

As mentioned in the report, "it is clear that Hispanics have been crucial to the nation's homeownership gains in this century." This point is also illustrated in the chart below using data from the *US Census Bureau*:



Bottom Line

Hispanics are out buying houses right now. They believe in homeownership and want to fulfill their American Dream!



The Latina and Her Buying Power

According to results from Nielsen's "*Latina 2.0: Fiscally Conscious, Culturally Influential & Familia Forward*" report, "the momentum of the U.S. Hispanic woman continues to trend upward as she demonstrates her integral role in the future of the American economy." This should come as no surprise as there are now 28 million Latinas living in the U.S.

The average age of Latinas in the U.S. is 31, but this group makes up 25% of all females under the age of 18. Of these U.S. Latinas, at least 81% speak English well, and according to the *U.S. Census*, they have begun to outpace the total U.S. population in new business creation; According to the latest data, there are just under 1.5 million Latina majority-owned firms in the U.S. with a total of \$78.7 billion in sales.

The report also mentions that Latinas "*represent a vital segment to the success of every industry, including financial services.*"

Here are some highlights from the report about Latinas and their financial decisions:

- 45% of Latinas enjoy learning about financial products or services from others.
- 45% of Latinas ask for advice from others when it comes to financial services.
- 33% of Latinas often take the opportunity to discuss their knowledge of financial products and services with others.
- 54% of Latinas said that they would recommend a financial product or service they like to people they know.
- 33% of Latinas regularly read financial news and publications.

So, why is their financial situation so important to them?

- 77% of Latinas said that investing for the future is very important to them.
- 9% of Latinas plan to buy a house, condo or co-op in the next 12 months (which is 49% higher than the same figure for non-Hispanic White women).
- 39% of Latinas have a savings account.
- 25% of Latinas have a 401K account.
- 12% of Latinas have IRAs.

Bottom Line

Latinas are making financial decisions for them and their families, and they are looking for ways to invest some of their money. What better financial investment is there than a home?



The Impact of Hispanic Millennials on Market Demand

According to *Latinousa.org's* article, *"The Latino Millennial Entrepreneur: Innovator, Digital Leader and Side-Hustler,"* "about one-third, or 17.9 million, of the nation's Latino population is younger than 18, and about a quarter, or 14.6 million, of all Latinos are millennials (ages 18 to 35)."

With the above figure in mind, *"The State of the Nation's Housing"* study by the Joint Center for Housing Studies (JCHS) at Harvard University reports that **"minorities will drive three-quarters of the gains in U.S. households, which are projected to reach 13.6 million in the decade of 2015-2025 and Hispanics will account for one third of those gains."**

Despite all of this (and the fact that one in four Hispanics believe it is a good time to buy a home), NBC reported that, *"For millennials, the home-buying rate decline has been steeper than [it has been] for other age groups, although there has been a recent uptick in their buying."* Furthermore, *Young Invincible* reported that *"Latino millennials are far behind their white peers in home ownership. About 51% of 25 -34 year old non-Latino, white millennials owned homes in 2013, compared to 27% of Latinos."*

Millennials are more focused on education and entrepreneurship. According to the same article by *latinousa.org*, *"This growing segment is more educated and has a buying power that will continue to increase. Driving the increased affluence, in part, is Latino entrepreneurship. Latino millennials are innovating, disrupting industries and challenging traditional leadership."*

These Hispanic millennials are digital natives who have adapted to American culture; they are committed to community service and they have the incomes necessary to become homeowners. All that they need now is our help. As experienced real estate professionals, it is our job to continue to educate this ever-growing population. Being someone who is willing to explain the home-buying process step-by-step to his or her clients while dismantling their concerns is a surefire way to earn more and more business.

Bottom Line

Hispanic millennials will not only make up a large portion of household formations, but will continue to add to the pool of homebuyers for years to come.



The Aging Hispanic Population in the US

The Census Bureau's report, "Older People Projected to Outnumber Children for First Time in U.S. History," examines how the age structure of the older population in the U.S. is expected to change over the coming decades.

According to the report, by 2030, all baby boomers will be older than age 65. This will expand the size of the older population as one in every five residents will have reached retirement age.

The report also mentioned that, "The aging of baby boomers means that within just a couple decades, older people are projected to outnumber children for the first time in U.S. history...[so that] by 2035, there will be 78.0 million people 65 years and older compared to 76.4 million under the age of 18."

What about the Hispanic population?

Hispanics are projected to grow from about 253 million to 275 million over the same period of time. The proportion of Hispanics among the older population in the US is projected to increase quickly over the next four decades, as you can see in the chart below:

**The Aging Hispanic Population in the US
By Age Group**

	2020	2030	2040	2050	2060
65-74	3.0M	5.0M	6.6M	8.1M	9.8K
75-84	1.4M	2.5M	4.1M	5.4M	6.7M
85-94	461K	731K	1.3M	2.2M	3.0M
95 Or Older	50K	55K	96K	190K	336K

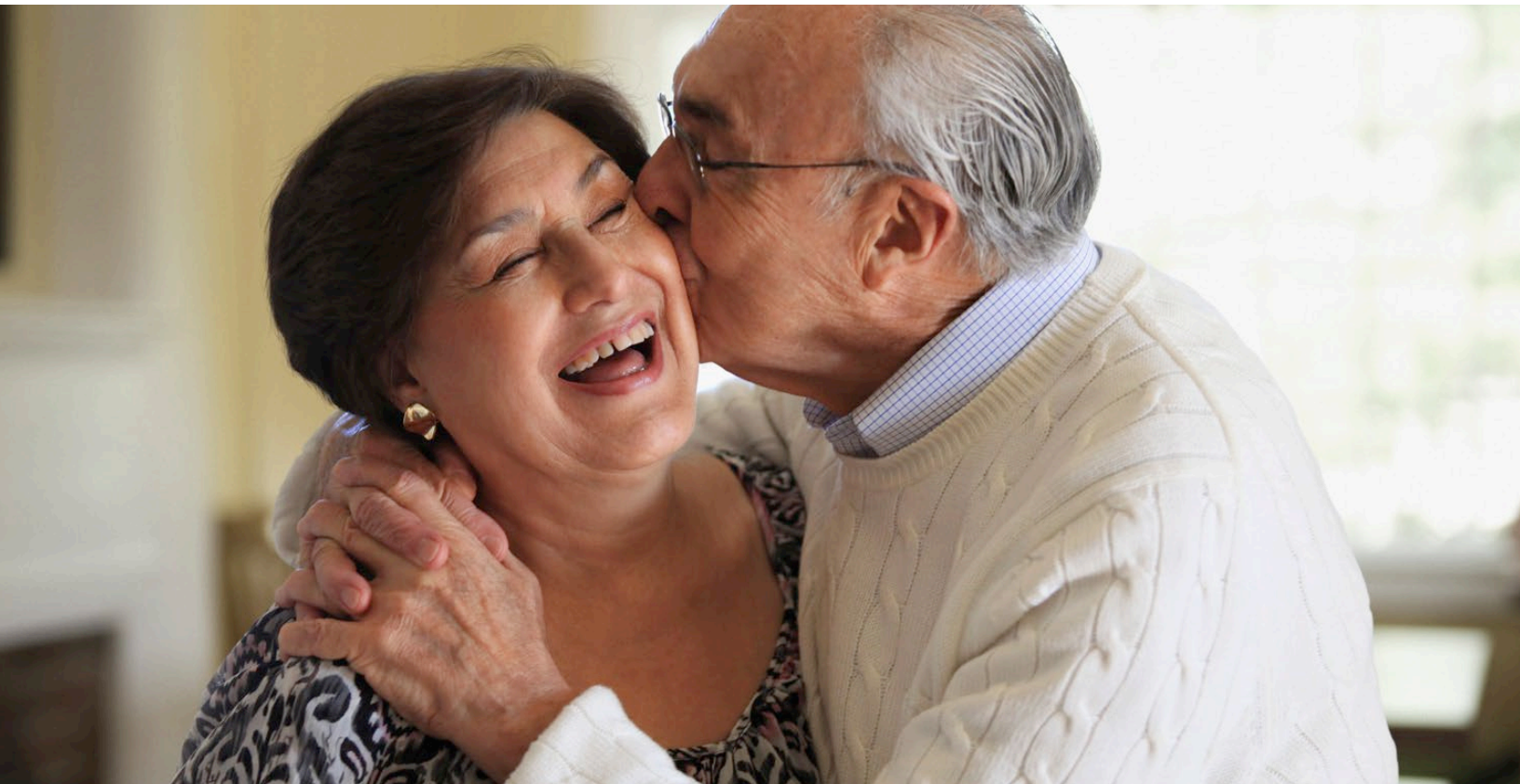
But is the older population really buying homes right now?

According to the *National Association of Realtor's (NAR) 2018 Home Buyer and Seller Generational Trends Report*, they are buying and selling homes:

	All Buyers	Owned Previous Residence	First-Time Buyers	Multigenerational Households	Hispanic
Younger Boomers (1955 - 1964)	18.0%	61.0%	11.0%	20.0%	4.0%
Older Boomers (1946 - 1954)	14.0%	77.0%	6.0%	14.0%	4.0%
Silent Generation (1925 - 1945)	6.0%	80.0%	5.0%	17.0%	1.0%

Bottom Line

The aging Hispanic population will be a growing percentage of your future clients, either because they are selling their family home, or because they are moving to a new home where they can retire and enjoy their new-found freedom!





The Upscale Latino: A Growing Group Within the Hispanic Community

Many believe that working with the Hispanic community means they will be working with first-time homebuyers who are looking to buy lower-priced homes, but the reality is that a new group in the Hispanic community is driving home sales in the upper end: the Upscale Latino!

A study by *Epsilon* revealed that, *“Underestimating the reach of the Latino wallet and focusing marketing budgets away from this customer segment when it comes to high-end products or services might be a costly oversight.”*

Who are the Upscale Latinos?

According to the report by *Epsilon*:

“About 6.7 million Latinos in the U.S. have reached the 'affluent' mark. With annual earnings of \$100,000 or greater, this group represents about 12.2% of this community's total and is contributing to 40% of the entire annual consumer spend of \$1.3 trillion.

The affluent Latino population is growing at a faster rate than its non-Latino (and much older) non-Hispanic counterpart. In only one decade, Hispanics earning \geq \$100,000/year grew 221% as compared to 87% for total U.S. households with incomes \geq \$100,000/year.”

The upscale Latinos are here creating households, starting their own businesses, and achieving the American Dream!

A study by the *United States Hispanic Chamber of Commerce* and *Geoscape* concluded that *“Latinos who own their own businesses are 3x more likely to have household incomes of \$150,000+ than the rest. With Latino-owned businesses growing 15x the national rate, and with their revenue jumping 88% in under a decade, Latino buying power (and the community's overall financial clout) can only be expected to continue to rise.”*

Bottom Line

Upscale Latinos are here creating businesses and living in a bicultural world. If you specialize in the luxury market, **do not underestimate the reach of the Latino wallet** as a portion of your clients are sure to be Latino.

The Hispanic Community & Housing in 2018



"The rate of Hispanic homeownership increased to 46.2% in 2017. Hispanics are the only demographic to have increased their rate of homeownership for the last three consecutive years."

- NAHREP



"There are just under 1.5 million Latina majority-owned firms in the U.S."

- Census



"About 6.7 million Latinos in the U.S. have reached the 'affluent' mark. With annual earnings of \$100,000 or greater, this group represents about 12.2% of this community's total."

- Epsilon



"Hispanics accounted for 265,000 new household formations, or, 28.6 percent of total U.S. household formations."

- Hispanic Wealth Project

The External Barriers to Homeownership in the Hispanic Community

The 2017 *State of Hispanic Homeownership Report* by the National Association of Hispanic Real Estate Professionals (NAHREP) highlights the external barriers to homeownership. Here is a list of those barriers, followed by an excerpt from the report:

1. Lack of Housing Inventory

*"Hispanics have the desire and the income to achieve additional homeownership gains; however, **housing supply is lacking**. In 2017, Hispanic owner household formations represented 15 percent of the net homeownership growth in the country. With gains taking place in generally affordable, less ethnically diverse markets, non-Hispanic Whites lead the country's homeownership growth by adding 543,000 owner households."*

2. Natural Disasters

"Natural disaster related damage in California, Texas, Florida, and Puerto Rico began with the Summer wildfires and continued in August with hurricanes and flooding, persisting through the end of the year.

*While data associated with the long-term effects are still being collected, the fact that these **disasters occurred in states and locations with the country's highest Hispanic populations** undoubtedly had an effect on the potential for even greater gains in those locations and for Hispanic homeownership overall."*

3. Immigration Reform

*"**The uncertainty** surrounding the longevity of protections afforded under DACA and TPS, as well as the volatility of the overall immigration reform debate, has likely **caused fear and concern** about the potential removal of legal status for some. For the 11 million undocumented individuals, 31 percent of whom are homeowners, there are serious doubts as to whether some form of legal status will eventually be granted. In the housing industry, **this insecurity could have a chilling effect on projected household formations, homeownership gains, and access to the skilled labor needed to construct homes.**"*

*As the report mentioned, "It is remarkable that the rate of Hispanic homeownership increased in 2017 despite all of the headwinds." Let's not forget that "The Hispanic segment's influence on U.S. homeownership gains is based on the long-term impact of their combined workforce, economic, and aspirational contributions, which are **expected to continue to drive homeownership for the foreseeable future.**"*

Bottom Line

As a real estate professional, you have the ability to help educate the Hispanic population in your area about the barriers that they may face and the many ways to overcome them.



Rebuilding Wealth: A Key Issue for Hispanics in the US

During the housing crisis and the years to follow, the Hispanic community lost two-thirds of its household wealth according to *Pew Research Center*. In order to combat these losses, the *Hispanic Wealth Project* (HWP) was created in 2014 with the goal of “tripling Hispanic household wealth by 2024.”

Below are some of the most recent trends and findings from the 2018 HWP report:

“The substantial disparity persists between the household wealth of Latino families and that of non-Hispanic White families...In 2013, both groups experienced gains, but the gap further widened with White household wealth at \$141,900 and Hispanic household wealth at \$13,700, making median White household wealth 10 times that of Hispanic households. In 2016, the median wealth of Hispanic households increased to \$20,600 while that of non-Hispanic White households increased to \$171,000.

While median net worth rose for all demographic groups between 2013 – 2016, gains for Hispanic households were proportionally larger (46 percent) than those of non-Hispanic White households (17 percent). Despite the large percentage gains for Hispanic families, the White - Hispanic wealth gap rose from \$132,200 in 2013 to \$150,300 in 2016.”

But this does not mean that the Hispanic community is not doing what it can to rebuild its wealth. Keep in mind, Latinas alone outpaced the total U.S. population in new business creation with just under 1.5 million Latina majority-owned firms in the country, according to a *Census* study.

Let's also not forget that with a homeownership rate of 46.2% in 2017, Hispanics are the only demographic to have increased their homeownership rate over the last three consecutive years.

Bottom Line

Now is the time for those Hispanic families that lost their homes to recover them and for the Hispanic community as a whole to rebuild its wealth!



The Rent vs. Buy Debate in the Hispanic Community

Every year, millions of people must decide if they should rent or if the time has come for them to buy a home that they can call their own. According to the *Joint Center of Housing Studies (JCHS)* at *Harvard University*, “More than half of families making less than \$30,000 per year and over half of families aged 65 and older that rent are severely rent burdened today.”

How does this impact the Hispanic community?

According to the same article, “28% of all Hispanic renters spend over half of their income on rent.”

With that being said, this does not mean that there is not a desire among Hispanics to become homeowners. In fact, according to *CityLab*:

- 15% of all homes sold in the U.S. during 2017 were bought by Hispanics
- Hispanics are the fastest-growing economic force in the country
- Their purchasing power is more than \$2.13 trillion
- By 2024, Hispanics are expected to add 6 million new homes owned to the national total

The latest *Rent vs. Buy Report* from *Trulia* revealed that homeownership remains cheaper than renting, with a traditional 30-year fixed rate mortgage, in 98 of the 100 largest metro areas in the United States. Some of the severely rent burdened families that are paying too much in rent can easily be paying that money toward a mortgage on their own homes instead.

Bottom Line

This is your chance to sit down with the Hispanic families in your market that may be struggling to pay their rents in order to educate them on their opportunities to buy.

The Projected Growth of Hispanic Homeownership



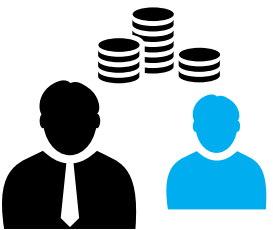
“81% of Hispanics agree that owning a home is a good longterm investment.”

- Fannie Mae



“One in four Hispanics believe it is a good time to buy a home.”

- NAHREP



“9% of Latinas plan to buy a house, condo or co-op in the next 12 months.”

- Nielsen



“By 2024, Hispanics are expected to add 6,000,000 new homes owned to the national total.”

- JCHS



“Minorities will drive three-quarters of the gains in U.S. households, which are projected to reach 13.6 million in the decade of 2015-2025 and Hispanics will account for one third of those gains.”

- JCHS



Projected Hispanic Household Formation

NAHREP's 2017 *State of Hispanic Homeownership Report* revealed that, "Hispanics accounted for 265,000 new household formations, or, 28.6 percent of total U.S. household formations. This represents a modest slowing in Hispanic household formations since 2016, when 340,000 net Hispanic households were formed. Considering Hispanic population increases occurred at a similar pace to recent years, the variation in household formations could be due to the fact that half of Hispanics reside in high cost states where rents have increased substantially and inventory available for sale is at decade low numbers causing a delay in the forming of new households."

So, what does the future of Hispanic homeownership growth look like?

The report stated that, "Hispanics are projected to lead U.S. household growth, **adding 6 million additional Hispanic households by 2024**. Their youthfulness, coupled with the population growth projections and household characteristics, suggests Hispanics will continue to be a source of household growth in the foreseeable future."

The report also mentioned that, "At an average household size of 3.25, Hispanics have the largest household size in comparison to all other U.S. racial and ethnic demographics. When it comes to household composition, the larger Hispanic household size can be attributed to the prevalence of multi-generational households where a nuclear family also resides with other extended family members, such as grandparents, aunts, nephews, all of whom generally contribute to the household living expenses."

Bottom Line

The total number of Hispanic households grew by 265,000 in 2017 alone! All of these new families need a house to call home. Let's help them buy the homes of their dreams!



Hispanics and the American Dream

Every time a Hispanic family thinks about moving to the United States, they have the American Dream in mind! But what is included in the “American Dream”? One part of the American Dream for many of these immigrants is the opportunity to own a piece of land and to become a homeowner!

According to the *Pew Research Center*, most believe that the American Dream is within their reach. In fact, 36% of U.S. adults say that their families have achieved the American Dream, while another 46% say that they are ‘on their way’ to achieving it.

What does the Hispanic community say?

- 51% of Hispanics say they have already achieved the American Dream.
- 46% of Hispanics say they have not achieved the American Dream.
- 33% of Hispanics say owning a home is extremely important in achieving the American Dream.

As we mentioned before, the rate of Hispanic homeownership increased over the course of three consecutive years and it looks like we will see another increase in Hispanic homeownership in 2018 as well.

The results of the above survey let us know that there is still a lot of work to be done! Why does 68% of the Hispanic community believe that it is either on its way to achieving the American Dream or that it is out of reach? Why have they not achieved it yet?

In many cases, it is just because they don’t know *how* to get there!

As we've mentioned so many times, education is key, and information is important! As a real estate professional, you must use ‘**the heart of a teacher**’ in order to educate the people in your marketplace. By doing so, we can help people make powerful and confident decisions!

Bottom Line

The Hispanic community represents a major part of the next generation of U.S. homeowners. Make sure that you plan for their arrival!



What Can You Do To Help The Hispanic Community?

1. Listen Very Carefully

Just because they are Latinos doesn't mean that they all want or like the same things. They come from different countries, and even though many speak English, there are **a lot** of terms in real estate that can be a bit overwhelming.

Even though they might be first-time buyers in the U.S., many of them owned homes in their home countries. This being said, the regulations and procedures are very different in the United States so some of them will need you to explain the process to them from A to Z.

2. Share Your Contacts

Some of your Hispanic clients will not know a loan officer, an attorney (if your state requires one), or a title company. If necessary, help your clients find companies that will help them in their native language.

3. Have Information Available for Them

Freddie Mac introduced a Spanish-language version of CreditSmart, a free tutorial that provides families with information on building savings and personal credit, and becoming successful homeowners. They also have a variety of PDF resources that are available in Spanish; you can print these resources for your clients or even e-mail them the links.

Here at KCM, our Buyers and Seller Guides, Millennial eGuide, blogs etc., are available in English and Spanish. If you are working with a bilingual millennial who brings his or her parents to your meetings, give them a copy of your materials in Spanish so that they can follow along in their own language! Not only will this show respect to your client's parents, but it will further position you as the bilingual expert in their market!

4. Be Patient

Take the time to help your clients and you will have clients who sends you referrals for life!