

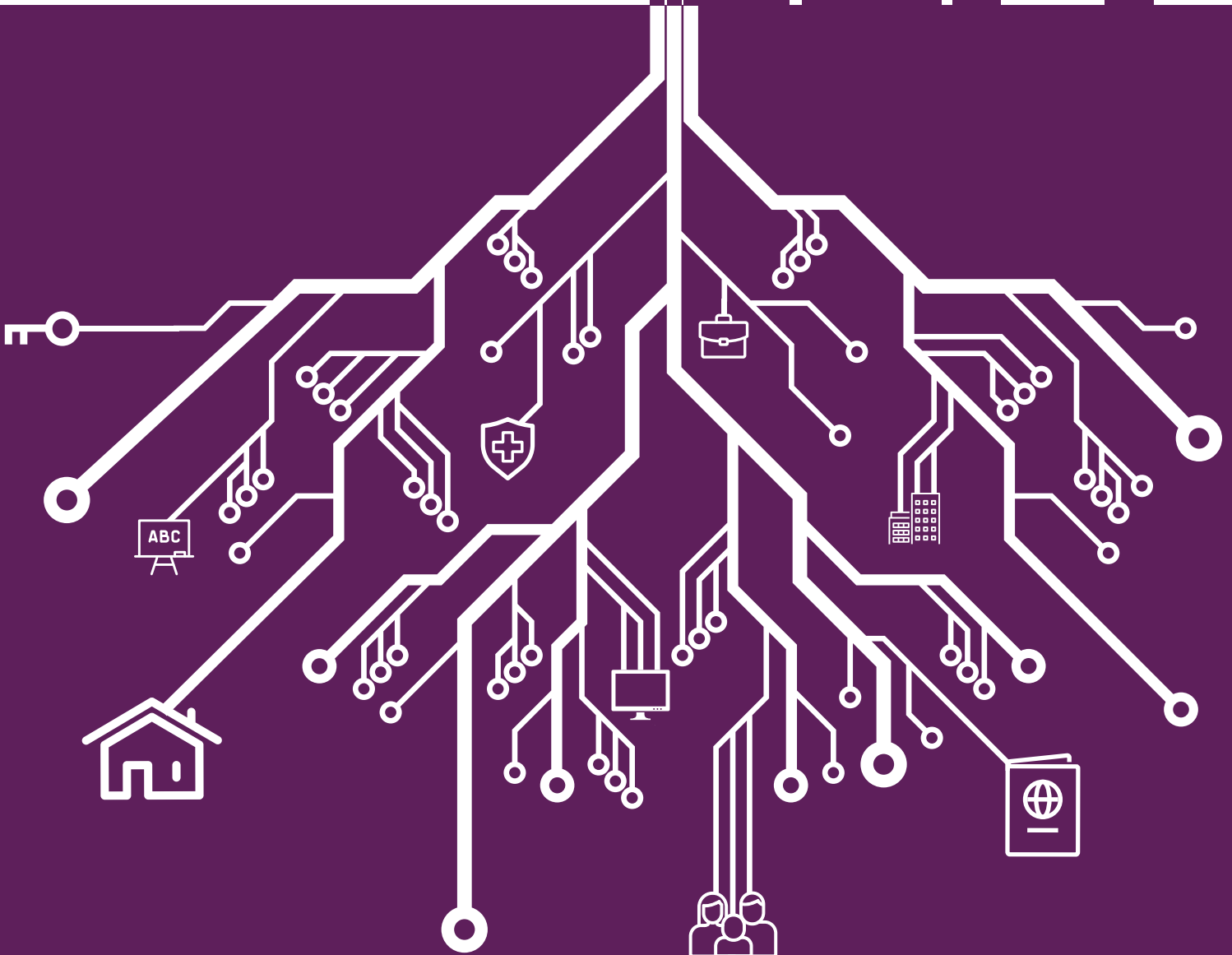
STATE OF HISPANIC HOMEOWNERSHIP REPORT



HISPANIC
WEALTH
PROJECT

In Partnership with the National Association
of Hispanic Real Estate Professionals®

2017





HWP

**HISPANIC
WEALTH
PROJECT**

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 30,000 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.

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executive summary

The 2017 State of Hispanic Homeownership Report® is a publication of the National Association of Hispanic Real Estate Professionals® (NAHREP®) and the Hispanic Wealth Project™ (HWP™).

Now in its eighth year of production, the State of Hispanic Homeownership Report® is an industry benchmark that coalesces data and research across a broad cross-section within and outside of the industry. The report provides an analysis of how the U.S. Latino population is faring with respect to increased attainment of homeownership in America. Additionally, it highlights Hispanic consumer nuance, purchase power, and trends, and it provides insight into what factors contributed to the story of Hispanic homeownership in the U.S. over the past year.

This year's report evaluates the significance of U.S. Hispanics to overall U.S. homeownership growth through analysis of their labor force participation rate, household formation rate, median income and aspirational interest, among other factors. This year's report also conducts a deeper analysis of the impact on homeownership gains from housing inventory shortage, natural disasters, and immigration, with a specific focus on DACA. For clarification, the terms Hispanic and Latino are used interchangeably throughout the report.

HISPANIC HOMEOWNERSHIP: THE NUMBERS

Year	Rate of Homeownership (as a percent)	Number of Hispanic Owner Households (units)	Annual Change in the Number of Owner Households (unit change)
2000	46.3	4,242,000	
2001	47.3	4,497,000	+256,000
2002	47.0	4,912,000	+414,000
2003	46.7	5,172,000	+261,000
2004	48.1	5,448,000	+275,000
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	+15,000
2009	48.4	6,253,000	-65,000
2010	47.5	6,198,000	-56,000
2011	46.9	6,328,000	+130,000
2012	46.1	6,680,000	+352,000
2013	46.1	6,777,000	+96,000
2014	45.4	6,845,000	+68,000
2015	45.6	7,092,000	+248,000
2016	46.0	7,305,000	+213,000
2017	46.2	7,472,000	+167,000

SOURCE: U.S. Census Bureau

U.S. Homeownership – Hispanic Contributions Over the Past Decade

In 2017, 7,472,000 Hispanics owned a home, an increase of 167,000 from 2016's numbers.¹ 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.**

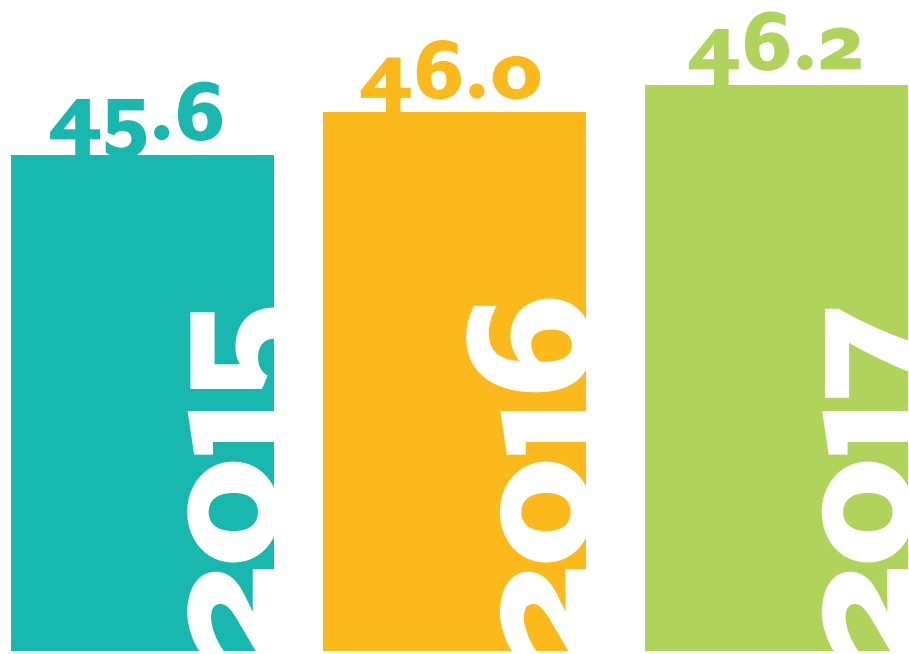
At the same time, the overall U.S. homeownership rate increased for the first time in 13 years, improving from 63.4 percent in 2016 to 63.9 percent in 2017 overall.² U.S. homeownership gains in 2017 equated to 1,109,000 owner households for all population segments. Hispanics accounted for 15 percent 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.**³ While the overall increase in homeownership for the country is a welcome reversal of a long-term negative trend, it is not yet clear what drove those gains. However, it is clear that Hispanics have been crucial to the nation's homeownership gains in this century.

In contrast, non-Hispanic White households added 543,000 net homeowners in 2017 and represented 49 percent of homeownership gains. **However, non-Hispanic whites lost 1,900,000 homeowners over the past decade, and were the only demographic to experience a net loss over this period of time⁴** and have lost nearly as many homeowners over that period of time as those added by all other demographics combined.

Population Trends, Labor Force & Household Formations

Currently at **58.6 million, U.S. Hispanics account for more of the U.S. population growth than any other demographic⁵**, a trend which is expected to continue. Fueled primarily by native births, the Hispanic population increased in 2017 by 1.1 million, accounting for 51 percent of the total U.S. population growth.⁶ While the fastest growing Hispanic markets are in locations such as Russell County, AL; Bryan County, GA; and Luzerne County, PA, **more than half of the country's Hispanic population continues to be located in California (15.3 million), Texas (10.9 million) and Florida (5.1 million).**⁷

Hispanic population density across high cost markets in these three states influenced household formations in 2017, a predictor of homeownership growth potential.



HISPANIC HOMEOWNERSHIP RATES (2017)

SOURCE: U.S. Census Bureau

Hispanics continue to drive the nation's workforce growth, accounting for 79.7 percent of labor force growth from 2007 – 2017. At 66.1 percent, Hispanics have a higher labor force participation rate than any other racial or ethnic demographic. For every one non-Hispanic White worker added to the labor force in 2017, two Hispanic workers were added to the labor force.

Hispanics accounted for 265,000 new household formations, or, 28.6 percent of total U.S. household formations.⁸ 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.

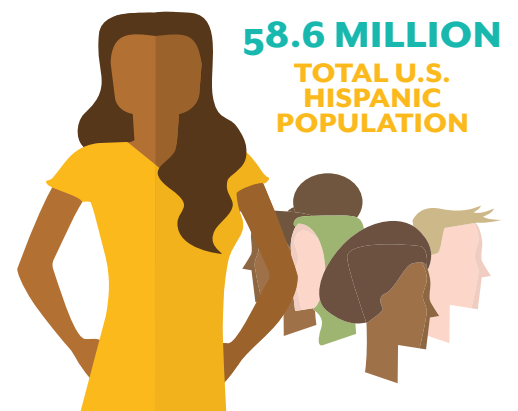
Three Factors That Negatively Affected Hispanic Homeownership in 2017

In 2017, the U.S. experienced a resurgence of long-term trends and the introduction of new challenges, all of which directly impacted Latino communities across the country. The continued shortage of affordable housing inventory coupled with prolonged natural disasters concentrated in the nation's most populous Latino states, and increasing uncertainty over immigration policy, have

created significant hurdles for Latino homeownership and economic saliency.

While the lack of housing inventory has been widely discussed as a nationwide concern, the lack of affordable housing stock is at crisis levels, particularly in markets heavily populated by Hispanics. Net homeownership increases have occurred, largely in rural or emerging markets through availability of new or existing housing priced in the affordable range.

In Las Vegas, NV, new home starts were up 9 percent in 2017; however, only 21 percent of those were under \$300,000, as compared to 42 percent in 2016.⁹ San Diego, CA, began 2017 with a surge in new home starts priced at \$1.0 million and higher¹⁰ and continued to experience severe supply constraints at affordable price points. Houston, TX, saw growth with new home starts up 5.8 percent; however, its greatest increase was for starts above \$300,000, which increased by 11.1 percent.¹¹ In these three locations, as in many major metros heavily populated by Hispanics, the affordable supply gap is further complicated by the rapid year over year increase in housing prices for existing and new product.

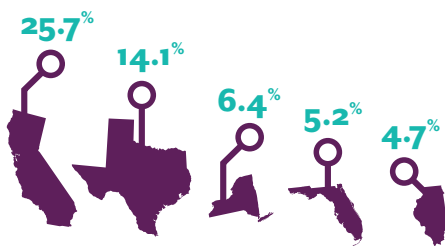


California alone is home to both the largest Hispanic population in the country and the most rapidly increasing home prices for three of the top 10 U.S. metros.¹² The largest home price gains in 2017 were in California, Idaho, Nevada, Utah, and Washington,¹³ all of which, coincidentally, have substantial and growing Hispanic populations. The confluence of persistent supply gap and rising home prices makes it difficult for first-time home buyers to find or afford to purchase a home.

Natural disasters plagued several U.S. states and territories in 2017. California wildfires laid waste to vineyards, farmlands, and included the largest wildfire in California history, the Thomas Fire, which scorched more than 280,000 acres.¹⁴ In Houston, Hurricane Harvey made landfall on August 25, 2017 causing up to \$59 billion in damage and leaving two thirds of the city underwater.¹⁵ Hurricane Irma, the most powerful Atlantic hurricane in recorded history, affected several locations, notably including both Florida and Puerto Rico. Mainland damage from Hurricane Irma is estimated to be as high as \$46 billion.¹⁶ Puerto Rico continues to struggle to recover from the aftermath of Hurricane Maria which decimated the island leaving much of the island without power to date.

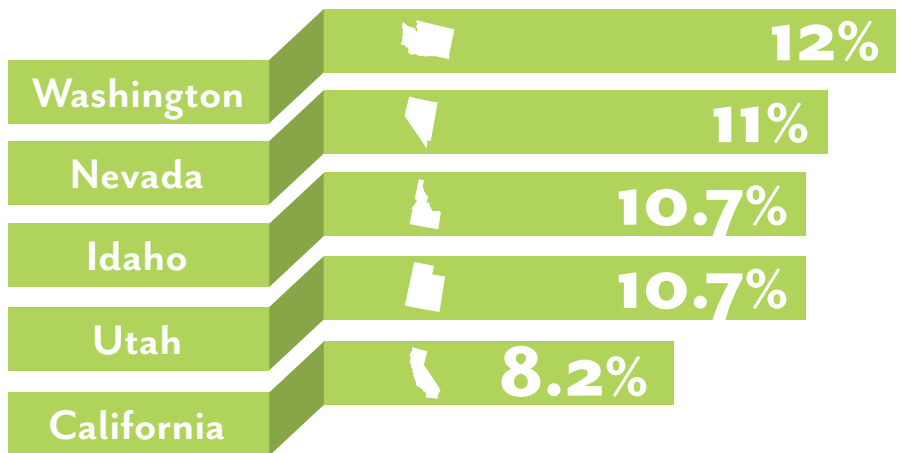
CoreLogic called wildfires and hurricane-related flooding “the most destructive natural hazards of 2017.”¹⁷ California, Texas, Florida, and Puerto Rico require skilled labor for rebuilding efforts, which was already at a significant shortage in the mainland. While the locations continue to recover from the effects of these natural disasters and the full toll of the damage continues to be assessed, there has been an undoubted impact on the housing industry and homeownership.

Immigration reform and the policies affecting the segment known as Deferred Action for Childhood Arrivals (DACA) continue unresolved, with this uncertainty disproportionately affecting the Latino community. Of the nearly 800,000 DACA recipients, the greatest percentage resides in five states: California (25.7 percent), Texas (14.1 percent), New York (6.4 percent), Florida (5.2 percent), and Illinois (4.7 percent).¹⁸



TOP 5 STATES BY DACA POPULATION AS A PERCENTAGE

SOURCE: U.S. Citizenship & Immigration Services



TOP 5 U.S. METRO AREAS: HOME PRICE INDEX YEAR-OVER YEAR CHANGE

SOURCE: CoreLogic

A recent study by the Center for American Progress found positive economic indicators for both DACA beneficiaries and the overall economy. In addition to other positive outcomes, following DACA approval 64.5 percent purchased their first car, and 15.7 percent became homeowners.

Public opinion polls consistently favor providing DACA recipients an opportunity for status, with a recent Quinnipiac University Poll noting 81 percent of respondents indicating that DACA recipients should have a chance to become citizens.¹⁹ Despite strong, favorable public sentiment, political discourse has become increasingly anti-immigrant, and a resolution remains elusive. While the data are unclear on how this has impacted homeownership, it is reasonable to believe that anyone affected by a lack of certainty with respect to their immigration status would be hesitant to move forward with the large and long term financial commitment that is required for homeownership.

Conclusion

Enthusiasm for homeownership remains strong within the Hispanic community, and homeownership gains were achieved in 2017 despite significant obstacles. There is work yet to be done to ensure that the opportunity to become a homeowner remains available to Hispanics and other first-time homebuyers.

Substantial barriers to continued growth for Hispanic homeownership exist today. In 2017, Hispanics were at the epicenter of a perfect storm of interwoven variables, which had a cooling effect on household formation and what could have been even greater homeownership gains.

For the areas struck by natural disasters, adjustments to the protocols from FEMA, HUD and SBA are needed to simplify the process to obtain relief for homeowners affected by the disasters. The

crisis level inventory shortage must be managed to enable construction of affordable housing stock. The continued development of new homes outside of the affordable price ranges – to the near exclusion of building affordable housing stock – puts in place an unsustainable growth strategy for the nation’s housing economy and is increasingly making homeownership affordable only to the wealthy.

Perhaps the most difficult and worrisome obstacle is our legislature’s inability to resolve the debate on immigration reform, including DACA. Immigration and Customs Enforcement (ICE) reported an increase of 36 percent in 2017 for interior removals.²⁰ Historically, Latino working men have been targeted for removal or deportation to a much greater degree than anyone from any other demographic. In addition, Hispanic renter households are comprised of 36.9 percent non-U.S. citizens, as compared to 6.5 percent of non-Hispanic households. The volatility surrounding immigration reform can have an escalating impact on Hispanic consumer appetite to make the long term financial commitment required for homeownership.

As the nation’s primary driver of population and labor force growth, and a key driver of homeownership gains, Hispanics are critical to the U.S. economy, and their access to homeownership is a key element to the nation’s economic growth. It is encouraging that the rate of Hispanic homeownership increased in 2017 despite all of the headwinds. Most importantly, the factors contributing to a slight slowing of Hispanic household formations are short term and solvable. 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.

section 1:

Hispanic Population and Household Formation Trends

Currently at **58.6 million, U.S. Hispanics account for more of the U.S. population growth than any other demographic**²¹ a trend which is expected to continue. While Hispanic population growth was driven mainly by immigration in the 1990s, that trend shifted in the following decade to growth through U.S. born Hispanics and has persisted. Fueled primarily by native births, the Hispanic population increased in 2017 by 1.1 million, accounting for 51 percent of the total U.S. population growth.²² The Hispanic population is projected to continue its growth trajectory to 119 million by 2060, representing nearly 30 percent of the nation's population by that time.²³

Hispanics are also the youngest racial or ethnic demographic in the country. As of 2014, the median age for Hispanics was 28 years old, 15 years younger than that of non-Hispanic Whites (43 years old).²⁴ Nearly 30 percent of Hispanics are Millennials, an age cohort that is just entering its prime home buying years.²⁵

While the fastest growing Hispanic markets are in locations such as Russell County, AL; Bryan County, GA; and Luzerne County, PA, **more than half of the country's Hispanic population continues to be located in California (15.3 million), Texas (10.9 million), and Florida (5.1 million).**²⁶ In addition, six other states have Hispanic populations of 1 million or more – Arizona, Colorado, Illinois, New Jersey, New Mexico, and New York.²⁷

Hispanics accounted for 265,000 new household formations, or 28.6 percent of total U.S. household formations in 2017.²⁸ This represents a modest slowing in Hispanic household formations since 2016, when 340,000 net Hispanic households were formed. Hispanic renter households are comprised of 36.9 percent non-U.S. Citizens, as compared to non-Hispanic households at 6.5 percent.²⁹ The uncertainty regarding immigration reform and DACA renewal in 2017, coupled with the prevalence of mixed-status households could have been a contributing factor in the measured pace of Hispanic household formation. Faced with the prospect of deportation and separation from U.S. citizen children, it is likely that undocumented individuals will begin to retreat into the shadows.

In addition, since the Hispanic population is heavily concentrated in just three states, market conditions or other environmental factors that affect those

locations will have a more pronounced impact on the Hispanic population as a whole.

Considering Hispanic population increases continued at a rapid pace similar to recent years, the more modest growth in household formations could be due to the fact that half of Hispanics reside in high costs states where rents have increased substantially and inventory available for sale is at decade low numbers. **Hispanics are projected to lead U.S. household growth, adding 6 million additional Hispanic households by 2024.**³⁰ 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.

Hispanic household composition varies from that of non-Hispanic households. Hispanics are more likely than non-Hispanic Whites to live in multigenerational households.³¹ Nuclear family households vary as well. **Nearly 60 percent of Hispanic married households are comprised of at least two parents and one child under the age of 18.** In comparison, only 39.5 percent of U.S. married households have at least one minor child. Given married households with children are more likely to become owner households, this distinction suggests Hispanics' continued role not only in household growth but in homeownership growth for the nation.

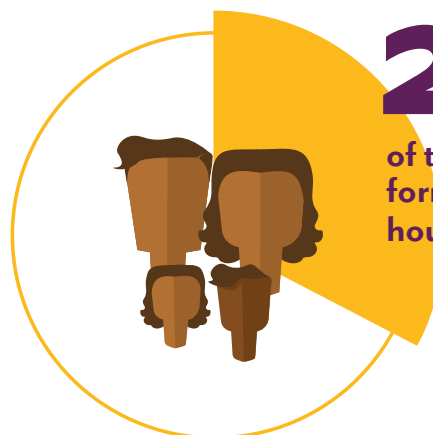
A CLOSER LOOK

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.

U.S. HISPANIC HOUSEHOLD FORMATIONS IN 2017

AS A PERCENTAGE

SOURCE: U.S. Census Bureau



28.6%
of total U.S. household formations or **265,000** new household formations in 2017.

section 2: Homeownership

In 2017, 7,472,000 Hispanics owned a home, an increase of 167,000 from 2016.³² This increase equates to a Hispanic homeownership rate of 46.2 percent for 2017, an increase of 0.2 percent from 2016. **Hispanics are the only demographic to have increased their rate of homeownership for the last three consecutive years.**

At the same time, the overall U.S. homeownership rate increased for the first time in 13 years, improving from 63.4 percent in 2016 to 63.9 percent in 2017 overall.³³ U.S. homeownership gains in 2017 equated to 1,109,000 for all population segments. In 2017, because of this increase, Hispanics accounted for 15 percent of the net homeownership gains in the country. However, looking at the data over a broader trend in time, Hispanics have been responsible for 46.5 percent of net U.S. homeownership gains since 2000.³⁴ The Hispanic homeownership rate has rebounded to within 3.5 percent of its pre-recession rate, a more rapid recovery than of the U.S. homeownership rate overall.

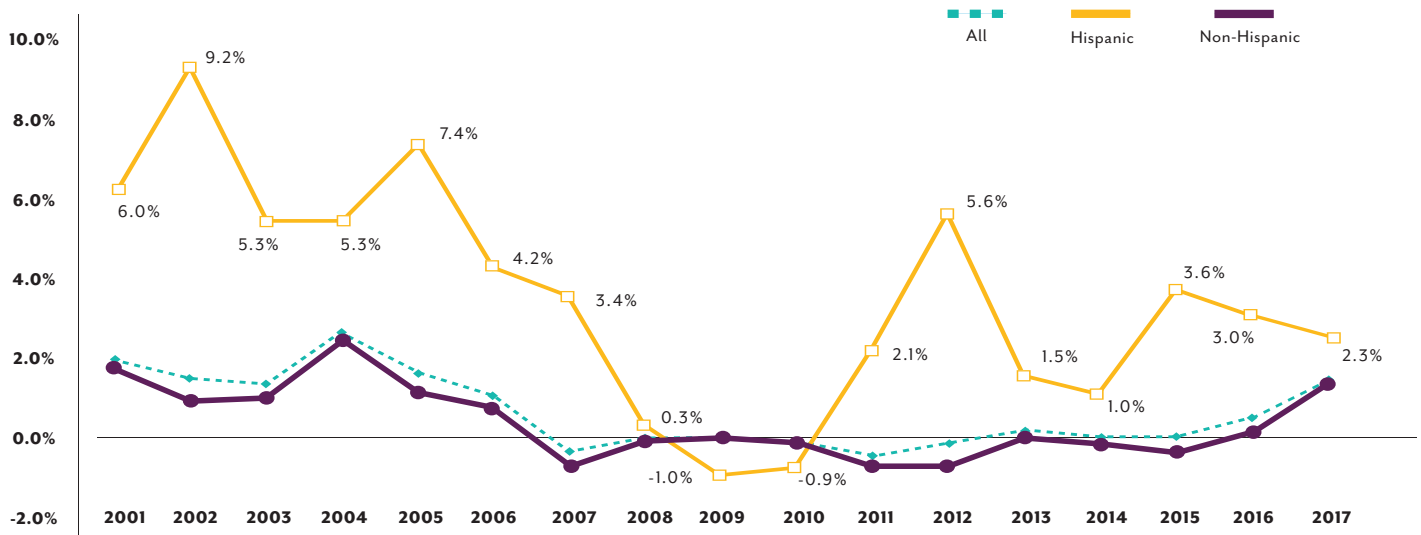
In contrast, non-Hispanic White households added 543,000 net homeowners in 2017 and represented 49 percent of U.S. homeownership gains. While the country's increase in homeownership is a welcome reversal of a long term negative trend, it is not yet clear what drove those gains. Early data regarding homeownership gains by age

cohort suggest Millennials represented significant percentages of purchase mortgage originations in markets across the country. This is especially true in six affordable markets where Millennials were a substantial percentage of purchase mortgage originations: Provo, UT (50 percent), Grand Rapids, MI (49 percent), Ogden, UT (48 percent), St. Louis, MO (48 percent), McAllen, TX (48 percent), and in Des Moines, IA (47 percent).³⁵

First-time home buyers are key drivers of homeownership growth and in those six cities, and Millennials were 23 – 30 percent of the total age cohort. Additionally, in all but one of those same markets, non-Hispanic Whites represented 70 – 79 percent of the racial/ethnic blend, and Hispanics were a much smaller segment of those cities population. McAllen is the only outlier, with a population that was 91.5 percent Hispanic.³⁶ The combination of available, affordable housing stock and first-time Millennial home buyers is likely responsible for these homeownership gains in 2017. It will be difficult to sustain future gains in these same markets without an influx of additional, younger home buyers from other markets. Ideally, additional U.S. homeownership growth could be achieved with increased affordability in areas where there is already a high concentration of younger home buyers, such as in California, Texas and Florida.

Looking back over the past decade, **non-Hispanic Whites have lost 1,900,000 homeowners and were the only demographic to experience a net loss over this period of time.**³⁷ Non-Hispanic Whites have lost nearly as many homeowners since 2007 as have been added by all other demographics combined.³⁸ Based on current birth rates for non-Hispanic Whites, which are lower than that of Hispanics and other immigrants, the homeownership increases experienced over the past year will be difficult to sustain in these same locations.

Reviewing homeownership data on a state by state basis reveals a rate of Hispanic homeownership above the national average in 23 states, including states with a large Hispanic population such as NM (65.5 percent), TX (56.5 percent), FL (50.9 percent), and AZ (50.6 percent). Perhaps surprisingly, the rate of Hispanic homeownership also exceeded the national average in some states with a population of about 10 percent Hispanics: Wyoming (56 percent), Oklahoma (50.3 percent), Maryland (48.4 percent), and Nebraska (46.7 percent).



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

PERCENT CHANGES IN THE GROWTH OF OWNER HOUSEHOLDS IN THE U.S. FROM 2000-2017

SOURCE: U.S. Census Bureau

2016 HISPANIC HOMEOWNERSHIP & ECONOMIC INDICATORS BY STATE

SOURCE: U.S. Census Bureau & Bureau of Labor Statistics

STATE	HISPANIC HOMEOWNERSHIP RATE	HISPANIC SHARE OF STATE POPULATION (5 YEAR ESTIMATE)	HISPANIC UNEMPLOYMENT RATE	HISPANIC MEDIAN HOUSEHOLD INCOME
Alabama	47.4	4	5.2	\$40,236
Alaska	44	6.7	4.4	\$64,200
Arizona	50.6	30.5	7.1	\$43,657
Arkansas	49.2	7	3.6	\$37,186
California	42.4	38.6	6.6	\$52,403
Colorado	48.1	21.1	4.7	\$49,201
Connecticut	33.6	15	7.6	\$46,808
Delaware	45.8	8.8	4.9	\$47,478
DC	30.9	10.5	3.6	\$64,930
Florida	50.9	24.1	4.5	\$44,042
Georgia	44.6	9.2	4.0	\$46,389
Hawaii	37.7	10	4.3	\$62,018
Idaho	51.4	12	4.7	\$40,802
Illinois	51.6	16.6	6.7	\$51,706
Indiana	52.5	6.5	4.6	\$41,532
Iowa	50.9	5.6	5.3	\$44,277
Kansas	52.1	11.3	6.5	\$44,297
Kentucky	35.3	3.3	7.9	\$39,043
Louisiana	45.4	4.8	3.8	\$39,276
Maine	49.1	1.5	—	\$42,314
Maryland	48.4	9.2	5.4	\$68,332
Massachusetts	24.8	10.9	6.5	\$39,742
Michigan	55.3	4.8	6.1	\$44,339
Minnesota	44	5.1	5.3	\$45,946
Mississippi	45.1	2.9	7.8	\$40,552
Missouri	48.9	3.9	6.5	\$43,264
Montana	47.6	3.4	6.2	\$33,790
Nebraska	46.7	10.2	4.7	\$46,531
Nevada	43.2	27.8	6.0	\$45,836
New Hampshire	37.2	3.3	—	\$52,087
New Jersey	35.5	19.3	5.5	\$52,599
New Mexico	65.5	47.8	6.5	\$38,924
New York	24.2	18.6	6.5	\$42,973
North Carolina	42.9	8.9	5.1	\$39,388
North Dakota	40.7	3.1	—	\$37,239
Ohio	43.8	3.5	5.9	\$41,621
Oklahoma	50.3	9.8	5.1	\$40,273
Oregon	40.3	12.4	5.7	\$46,180
Pennsylvania	40.6	6.6	11.9	\$38,271
Puerto Rico	68.7	98.9	11.8*	\$19,977
Rhode Island	26.5	14.1	8.7	\$36,877
South Carolina	45.8	5.3	3.6	\$40,749
South Dakota	39	3.4	—	\$46,481
Tennessee	39.5	5	3.8	\$41,013
Texas	56.5	38.6	4.9	\$44,579
Utah	50.6	13.5	3.3	\$47,167
Vermont	45.9	1.7	—	\$46,871
Virginia	45.8	8.7	3.2	\$60,534
Washington	42	12.1	7.6	\$50,517
West Virginia	55.1	1.4	—	\$38,362
Wisconsin	39.2	6.5	3.3	\$42,323
Wyoming	56	9.7	6.9	\$46,271

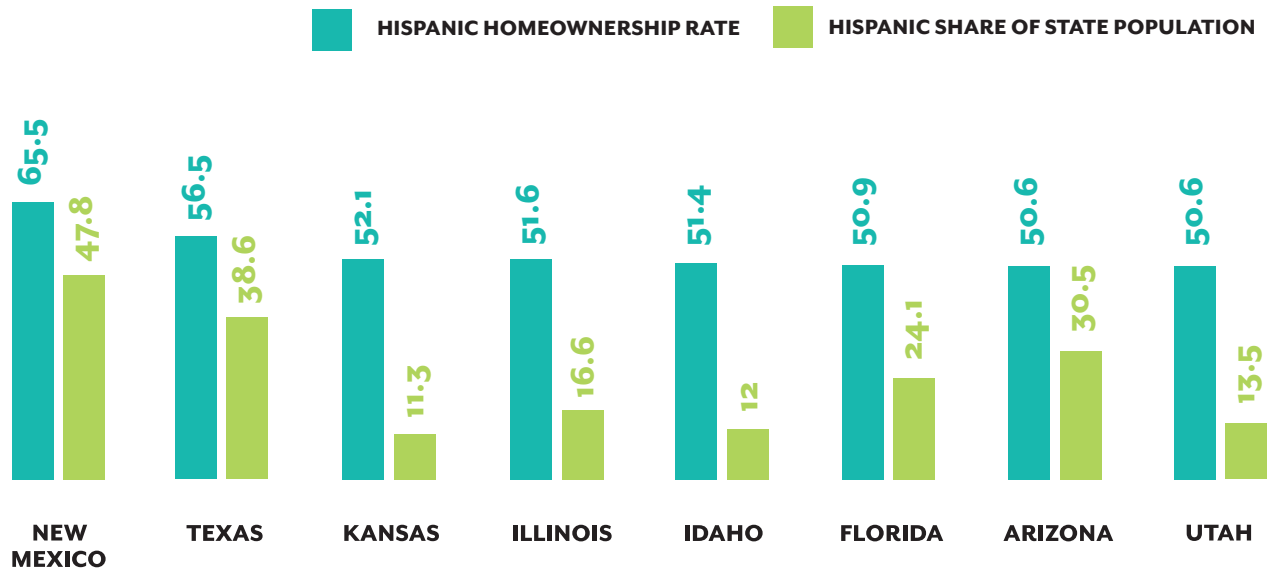
— Data for demographic groups are not shown when the labor force base does not meet the BLS publication standard of reliability for the area in question, as determined by the sample size.

*The BLS does not publish data associated with demographic characteristics of Puerto Rico. Given the Hispanic population of PR is 98.9%, 11.8% as the overall unemployment average is 2016 and is a close approximation of the Hispanic unemployment rate.

HISPANIC HOMEOWNERSHIP IN DENSELY POPULATED STATES:

States with a Hispanic homeownership rate of at least 50 percent & Hispanics account for at least 10 percent of the population.

SOURCE: U.S. Census Bureau



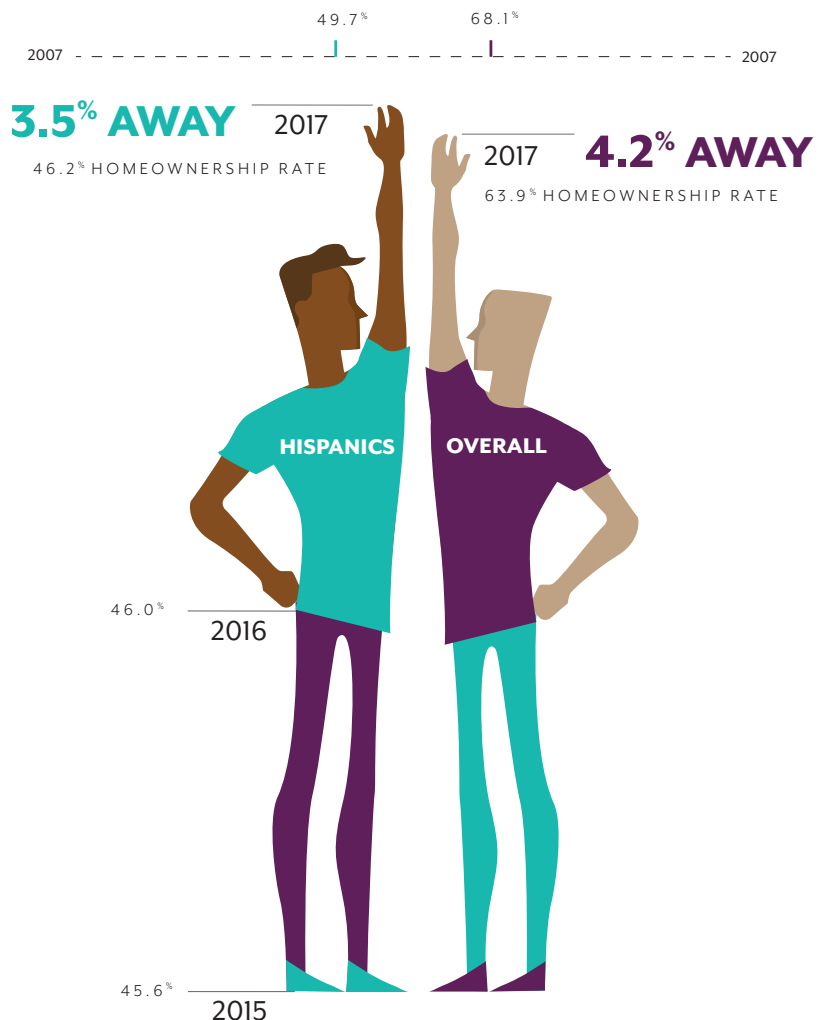
Ahead of the Curve: Eight States Outpacing the Hispanic Homeownership Rate

The places where Hispanic homeownership rates are above 50 percent and where Hispanics are at least 10 percent of the state's population have something in common: job availability and housing affordability. States like Kansas, Iowa and Utah have seen large population growth in recent years, driven primarily by Hispanics.

Hispanics are employed in great numbers in the construction, agriculture and service industries, many of which are present and growing across these eight states. Homeownership gains in these locations are illustrative of the kind of growth which is possible when homes are available, pricing is affordable and jobs are present for a demographic that is highly aspirational. However, continued growth in states such as Utah and Idaho could be stunted by rapidly increasing home prices.

2017 HOMEOWNERSHIP RATES IN RELATION TO PRE-RECESSION RATES

SOURCE: U.S. Census Bureau



Labor Force Participation

Hispanics continue to drive the nation's workforce growth, accounting for 79.7 percent of labor force growth from 2007–2017. At 66.1 percent, Hispanics have a higher labor force participation rate than any other demographic. For every one non-Hispanic White worker added to the labor force in 2017, two Hispanic workers were added to the labor force.

At a median native born age of 19 years, and a combined native and foreign born median age of 28, Hispanics will continue to play a material role in driving the country's labor force growth for the coming years.

Immigrants also play an important role in the growth of the nation's workforce. **If we were to extract all of the immigrants from our existing workforce, by 2035 we would have 18 million fewer working age adults in the U.S.**³⁹ This is due in large part to the fact that immigrant populations have higher birth rates than do native born populations of any race or ethnic group. Undocumented immigrants, about 80 percent of which are Hispanic, comprise approximately 5 percent of the workforce, including a considerable (29 percent) segment of the construction industry's skilled labor force.

Income

Median Hispanic household income increased 4.3 percent to \$47,675, while the number in poverty further declined to 19.4 percent.⁴⁰ In general, Millennials earn about \$10,000 less than their Boomer counterparts did at their same age (25 to 34 years old). The income gap is more pronounced for current Millennial cohorts differentiated by ethnicity, with non-Hispanic White Millennials earning a median income of \$47,683 in comparison to Hispanic Millennial median income of \$30,436. Interestingly, Hispanic Millennials actually out-earn their Boomer counterparts by 29 percent, while non-Hispanic White Millennials have lost ground on income generation (-21 percent) as compared to their Boomer counterparts.⁴¹

Education

Income gains for Hispanic Millennials as compared to their Boomer counterparts can be partially attributed to the increased opportunity by virtue of educational attainment. The percentage of Hispanics over the age of 25 who have earned a bachelor's degree or higher increased to 15.3 percent, from 4.8 million to 5 million. The number of Hispanics with an advanced degree also increased from 1.5 million to 1.6 million.

Purchasing Power

The Latino GDP is \$2.13 Trillion, larger than that of India (\$2.09 Trillion). If the Latino GDP were its own country, it would rank as the seventh largest in the world.⁴²

Five states, CA, FL TX, NY, IL, are home to 70.2 percent of all Hispanic-owned firms. The majority of Hispanic-owned firms, 58.1 percent, are located in California, Florida, and Texas. Those top three states also all have a Hispanic population of at least 24.1 percent and as much as 38.6 percent. Hispanic population size, coupled with the entrepreneurial drive of their immigrant populations, may contribute to the higher prevalence of Hispanic owned small businesses in those states.

LABOR FORCE PARTICIPATION

66.1%

HIGHER RATE THAN ANY OTHER DEMOGRAPHIC

EDUCATION

5 MILLION

HISPANICS 25 YRS+ WHO HAVE A BACHELOR'S

INCOME

\$47,675

MEDIAN HISPANIC INCOME, AN INCREASE OF 4.3%

PURCHASING POWER

\$2.13 TRILLION

LATINO GDP, LARGER THAN THAT OF INDIA

KEY HISPANIC ECONOMIC INDICATORS AS A PERCENTAGE

SOURCE: Latino Donor Collaborative, U.S. Census Bureau, Bureau of Labor Statistics

A CLOSER LOOK

A decade ago, only 44.5 percent of the Hispanic labor force were native born compared to 52.1 percent today.

From 2014 to 2016 degrees in the fields of business, health professions and social sciences and history rank the highest amongst bachelor degrees awarded to Hispanic students accounting for 39 percent of all degrees.

section 3:

Consumer Attitudes Toward Homeownership

In Fannie Mae's October – November 2017 attitudinal survey, Hispanic consumer feedback suggests an optimistic outlook on the housing market, despite growing concerns about specific elements within the economy.

Hispanic consumer sentiment on the housing industry and homeownership:

- Most Hispanics (60 percent) indicated that they expect their personal financial situation to improve, despite concerns by about half (51 percent) that the economy is on the wrong track.
- One in four (25 percent) Hispanics believed it was a good time to buy a home because there are many homes available on the market, even though 40 percent feel home prices are high.
- Most Hispanics (78 percent) believe owning a home allows more control over one's living space.
- Most Hispanics (81 percent) agree that owning a home is a good investment long term.
- Most Hispanics (56 percent) believe it is difficult to get a home mortgage today.
- About half of Hispanics (51 percent) believe home prices and mortgage rates will rise this year.
- Hispanics continue to prefer homeownership to renting with 88 percent indicating that in the future they are more likely to own a home than rent.

In the Fannie Mae consumer survey, Hispanics indicated they perceive three primary obstacles to their ability to obtain a home mortgage:

1. Insufficient credit score or history
2. Affording the down payment or closing costs
3. Insufficient income for monthly payments

HISPANIC VS GENERAL POPULATION ATTITUDES

SOURCE: Fannie Mae

51%

of Hispanics believe the economy is on the wrong track

39%

of general population believe the economy is on the wrong track

60%

expect their personal financial situation to improve

49%

expect their personal financial situation to improve

56%

think it would be difficult to get a home mortgage today

41%

think it would be difficult to get a home mortgage today

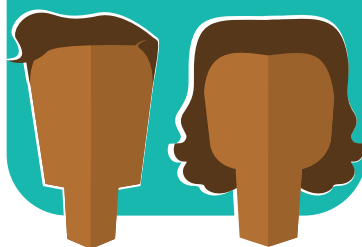
81%

owning a home is a good investment long-term

82%

owning a home is a good investment long-term

HISPANICS

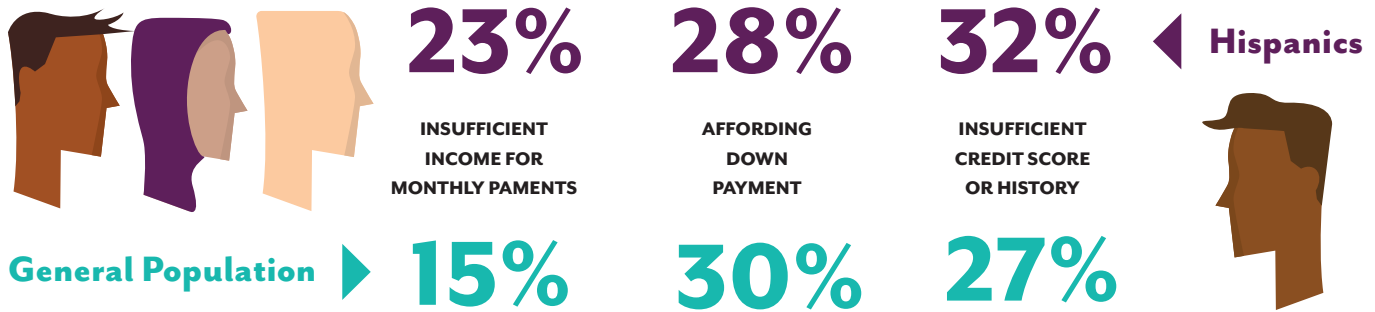


GENERAL POPULATION



TOP 3 OBSTACLES TO GETTING A MORTGAGE

SOURCE: Fannie Mae



In some cases, these challenges are perceptual and can be addressed through education or communication. For example, Hispanic consumers commonly believe a 20 percent down payment is necessary to purchase a home. Dispelling that misperception through communication with or education from a knowledgeable real estate professional can have a positive impact on a prospective home buyer's ability to achieve homeownership.

section 4: Hispanic Consumer Nuances

Language Matters

Language is an important consideration for Hispanics, especially Millennials, in selecting brands with which to interact. In contrast to prior generations where language dominance was largely a function of how recently they had immigrated to the U.S., Hispanics are increasingly bilingual by choice. Of **U.S. Hispanics, 54.2 percent are bilingual** and only 18.2 percent are Spanish dominant. Regarding English proficiency, 81.4 percent speak English well or exclusively.⁴⁵ Brands that embrace the need for a fluid, intertwined relationship with culture and language will have a much better likelihood of connecting with Latino consumers. While Spanish language translations are not necessarily required, brands must demonstrate cultural acuity, appropriate selection of imagery, strategic messaging, and well-timed use of in-language communication.

The Multigenerational Effect

Hispanics are more likely than any other demographic to live in a multigenerational household, with 84 percent of Hispanic Millennials residing in homes with children under the age of 18.⁴⁴ More Hispanic Millennials (32 percent) also live at home with their parents than in any other living arrangement. The household members also influence purchasing decisions. While Hispanics in general are more likely to be persuaded by other family household members to make purchases, they are **74 percent more likely than non-Hispanics to be influenced by their children to make a buy decision.**

Mobile First

Hispanics, especially Millennials, are huge consumers of mobile. They make use of smart phones for various purposes. As savvy, price conscious consumers, 92 percent of Hispanic Millennials use coupons, and 81 percent are influenced to select where to shop based on the retailer's offer of digital coupons.

With relation to social media, Hispanic Millennials tend to skew heavily toward use of Instagram and Twitter as compared to non-Hispanics. They spend **25 percent more time on their phones than do non-Hispanics.** Hispanics are also more likely than non-Hispanics to have already transitioned from cable to streaming or plan to do so in the very near future.⁴⁵ Hispanics are more likely to cite the quality of original programming on streaming services as a determining factor in making the leap away from cable. As brands decide how to engage with Hispanics or Hispanic Millennials, it is critical to develop a fully articulated social media engagement strategy for these audiences.

industry highlight:

People

Product

WHEN NAHREP WAS FOUNDED 18 YEARS AGO, FEW COMPANIES HAD DEVELOPED TARGETED MARKETING STRATEGIES TO REACH HISPANIC CONSUMERS. AT THAT TIME, THE U.S. LATINO SEGMENT WAS ON THE VERGE OF THE DEMOGRAPHIC SURGE WE NOW FEEL TODAY. THE SUBSTANTIVE VOID OF RESEARCH ON HOW TO ENGAGE WITH THIS CONSUMER DEMOGRAPHIC COUPLED WITH A LACK OF PROFESSIONAL HISPANICS IN MANY OF THOSE SAME INDUSTRIES, OFTEN LED TO UNSUCCESSFUL CORPORATE MARKETING STRATEGIES WHEN ATTEMPTING TO REACH THE HISPANIC CONSUMER.

TODAY, THERE IS A SURPLUS OF DATA THAT IS DRIVING COMPANIES TO PAY MORE ATTENTION TO THE LATINO POPULATION BUT THERE IS STILL AN INSUFFICIENT AMOUNT OF INDUSTRY GUIDANCE ON HOW TO DO SO SUCCESSFULLY. COMPANIES GET IT – THEY KNOW THEY SHOULD MARKET TO LATINOS, BUT BEYOND TRANSLATING THEIR PAMPHLETS OR ADS INTO SPANISH, THEY DON'T NECESSARILY KNOW HOW TO DO IT. NAHREP CONSULTING SERVICES SPECIALIZES IN HELPING FIRMS OF ALL SIZES TO REDEFINE THEIR TRAJECTORY AS THEY REACH OUT TO THE LATINO MARKET. WHILE THERE IS NO ONE-SIZE-FITS-ALL APPROACH, THERE ARE FIVE STRATEGIES THAT HAVE PROVEN TO BE THE MOST EFFECTIVE.

Human capital is the most important investment a company can make when redefining their Latino marketing strategy – particularly for those in the housing industry. As the consumer demographics continue to shift, the workforce that serves this next generation of homebuyers should proportionally shift as well. While ethnic diversity is an important consideration, it's not the only facet of recruiting that could use a face lift.

In general, the mortgage industry has lagged behind in the recruitment and training of young professionals. To put this in perspective, the average loan officer in America is between the ages of 54 and 59 years of age, while the average homebuyer is in their early thirties. This means that not only are most mortgage professionals aging into retirement faster than new professionals are joining the industry, but the average originator is at least two decades older than their target audience. This is not to say that a more seasoned professional is not equipped to serve this generation of buyers, but they may never reach them in the first place if they don't share a common professional network, social media preferences, or other rapport building tools.

Additionally, this problem is compounded when you look at diverse segments. Not only are Latinos nearly a decade younger than the general population, they are also projected to homeownership gains for the next three decades. Considering only 4 percent of mortgage professionals and 7 percent of real estate agents are Hispanic, with the largest proportion of those being within 10 years of retirement, it's no wonder companies are struggling to recruit both experienced and diverse talent. The pipeline of candidates simply doesn't exist, yet.

SOLUTIONS:

1. Source candidates from complementing professions such as insurance, banking and small businesses. Keep an open mind when evaluating a candidate's resume and thoughtfully determine what transferable skills they may have in lieu of direct experience.
2. Take advantage of programs that target young professionals looking to break into a new industry. The MBA's Mortgage Banking Bound program, designed to educate and connect candidates to employers, can be an excellent pathway to younger talent.
3. Invest in the creation of training materials, online classes, professional blogs and in-person educational events that are open for public participation. New American Funding's (NAF) STEP Program is a great example of a company taking the initiative to recruit and train their own pool of new candidates

In a market environment where products innovation is rare, it's challenging to develop new products that can fill a consumer need that hasn't already been tried and tested. All too often, companies focus too much of their energy on discovering the next big thing with rather than promoting awareness for existing products that can help first time homebuyers.

For example, while the Federal Housing Administration (FHA) loan program has been an important resource for prospective homeowners since the 1930s, it isn't the only solution for buyers who require low-down-payment solutions. FHA loans are a great option for any borrower who does not qualify for a conventional product, Black and Hispanic borrowers are far more likely to apply for FHA loans, regardless of their credit worthiness and ability to be approved for conventional financing.

SOLUTIONS:

1. Provide education within the organization on underwriting features that are most relevant to minority and first time homebuyers. The lifestyle profile of buyers today is not the same as it was 20 years ago, it is important to understand the cultural nuances of new prospective homeowners that may be different than the traditional buyer of the past.
2. Design operational policies and procedures that ensure loans with nontraditional scenarios are properly underwritten for all borrowers. Some examples are self-employment, seasonal work, boarder income, non-occupant co-borrowers, and household income calculation on multiple dwellers or family members.

The Top Five Strategies to Reach the Latino Mega Market

by Maria Vergara, *President, NAHREP Consulting Services*

P

lace

In today's digital age, successful marketing strategies are not restricted to an organization's existing physical, brick and mortar locations. Technology has created opportunity for businesses to explore market trends and develop strategic growth plans in emerging markets that don't necessarily require a physical presence.

A core business strategy for NAHREP is to launch new chapters in "hyper-growth" markets, areas that are experiencing triple-digit Latino growth patterns and well outside the more densely populated and well established Latino communities. These hyper-growth markets serve as untapped potential for businesses that are looking to compete with the all-digital, new age mortgage company. Some hyper-growth markets where NAHREP has recently opened chapters are Oklahoma City, Nashville, Charlotte and Central Alabama.

SOLUTIONS:

1. When opening new locations, focus on non-traditional Latino communities that are demonstrating growth potential.
2. Provide product options for consumers that prefer all-virtual, non-traditional banking experiences.

CASE STUDIES:

Some lenders are taking note. First Community Mortgage (FCM), as an example, realized it wanted to be where it could more effectively serve the diverse segments of Nashville, TN. FCM focused its new market expansion to Plaza Mariachi which is located only 10 minutes from downtown Nashville. The Plaza Mariachi CULTURAL EXPERIENCE offers a unique blend of culture, art, music, entertainment, food, services and retail in one location. The FCM Plaza Mariachi office is called the "Home Opportunity Center" and at Plaza Mariachi. Since the opening last year, it has attracted an influx of new consumers, including Latinos and other ethnic demographics as well. They have experienced great success in their diverse market efforts. The office not only attracts Hispanics, but Middle Easterners, (Nashville has the largest Kurdish population in the US), Africans and African Americans.

Another great example is that of Equity Prime Mortgage. With a major focus on the Hispanic market, it too was seeking a branch locale that was outside the box of their traditional footprint. Taking a chance on a Latino shopping center called Plaza Las Americas, Equity Prime Mortgage equipped the office with dedicated loan officers who also speak Spanish and can appropriately serve the community where they live and work.

P

romotion

Today's consumers and recruits are more sophisticated than ever. Data is streaming at lightning speed and the consumer options seem endless. It can be hard to differentiate one company from another. The Latino market is not unlike many other consumer groups in that they seek referrals and endorsements from friends and family that help inform buying choices. The difference is in the amount of credibility that is put on those endorsements and the methods through which those endorsements are vetted.

In general, Latinos have demonstrated that they place higher importance on network endorsements than do other ethnic groups and ultimately will seek more information online, particularly in social media, to support those endorsements.

A recent study by Engagement Labs, a data and analytics firm specializing in social media performance, found that Latinos talk about more brands per week than do non-Latinos. This predisposition presents a unique opportunity for marketers to create brand awareness that can result in brand loyalty.

SOLUTIONS:

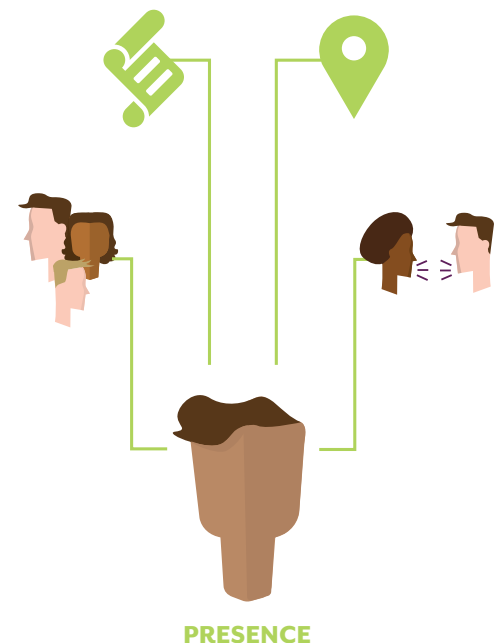
1. Create and sustain a cohesive branding strategy that is recognizable, unique and consistently applied in practice through all aspects of the business. Refrain from drastic changes in names, logos, mission statements and products quality unless unavoidable or currently unsuccessful. It is difficult to gain brand recognition and endorsements when the brand shifts too often or too quickly.
2. Encourage current customers to endorse product to their friends and family by not only offering an exceptional service but also create incentives to those that spread the word amongst their networks. Latinos have demonstrated enjoyment in sharing good experiences with those in their circle, by adding an extra boost, those efforts can be magnified.
3. Utilize social media for product promotion through paid social ads, online videos, influencer targeting and blogging. Since Latinos are more likely to seek information online, are the largest consumers of social media, and are more likely than any other demographic to access social media on a mobile phone, a strong online presence is a market strategy necessity.

P

resence

No one company, product or consumer is the same and to say any strategy is a one-size-fits-all when it comes to capturing market share is disingenuous. There are nuances in every industry that provide challenging but exciting features for professionals to navigate as they design and promote their businesses. That being said, there are recognizable patterns amongst the most successful and the aforementioned strategies above have proven to be incredibly powerful.

As a company, activating strength in People, Product, Place and Promotion will ultimately lead to the most important "P" – Presence. When the right people are behind the right products, in the right places and promoted in the right way, that's when the magic happens.





section 5: How Natural Disasters, DACA, and the Housing Inventory Shortage Shaped the Hispanic Story in 2017

EXTERNAL OBSTACLES TO HISPANIC HOMEOWNERSHIP

1. Affordable Housing Inventory at Crisis Levels
2. Natural Disaster Impacts on California, Texas, Florida and Puerto Rico
3. Uncertainty over Immigration Policy

Three Issues Affecting Hispanic Homeownership Gains in 2017

In 2017, three distinct variables had a material impact on homeownership gains for Hispanics and pose the greatest challenge over the course of the coming year as obstacles to increased homeownership gains for the Latino community. The continued shortage of affordably priced homes, coupled with prolonged natural disasters concentrated in the nation's most populous Latino states, and increasing uncertainty over immigration policy, have created significant hurdles for Latino homeownership and economic saliency.

Affordable Housing Inventory at Crisis Levels

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.

Year over year, there are 12 percent fewer available homes for sale nationwide, with the year ending at 35 months of declining inventory.⁴⁶ Inventory shortages are more severe in specific markets, such as San Jose, which experienced the most severe drop in inventory, with 40.6 percent fewer home than the year prior.⁴⁷ In markets where inventory is beginning to increase, affordable housing stock is still down. In Las Vegas, where home prices are up 9 percent over the prior year, only 21 percent of home starts were priced under \$300,000.⁴⁸ This change was in stark contrast to the year prior, when 42 percent of home starts were under \$300,000. In Dallas, housing starts were up 5.8 percent over the prior year and grew to a median

new home price of \$328,400. New home starts in the \$300,000 range were also up 11.1 percent in Dallas. While this growth has contributed to Dallas's recognition as the #1 housing market in the country, additional and affordable product is still needed.

The crisis level inventory shortage must be managed to enable construction of affordable housing stock. The continued development of new homes outside of the affordable price ranges – to the near exclusion of building affordable housing stock – puts in place an unsustainable growth strategy for the nation's housing economy and is increasingly making homeownership affordable only to the wealthy.

Natural Disasters Ravage States with Highest Hispanic Population

In California, record wildfires razed hundreds of thousands of acres and destroyed approximately 15,000 homes. The wildfire impact in the West began in the Summer and continued on through the end of the year with the Thomas Fire, which leveled more than 280,000 acres.⁴⁹ In eight of the 11 Northern California zip codes affected, home

prices were already more than double the national median value of approximately \$200,000.⁵⁰ In a tight housing market with already limited supply, housing prices will likely climb as housing stock is rebuilt. In those same Northern California markets, renters already have to contend with high monthly housing costs such as \$2,636 in Napa County and \$2,633 in Sonoma County.⁵¹

Hurricane Harvey brought widespread flooding and property damage, primarily residential, to a broad swath of Houston, TX, and other communities, causing up to \$59 billion in damages, including impact to nearly 500,000 homes, most of which were uninsured. Irma caused an estimated \$46 billion in damages, largely to residential property, from storm related flooding largely in Florida, of which 80 percent was uninsured residential damage.⁵² Hurricane Maria devastated Puerto Rico with its Category 4 related winds and flooding, causing

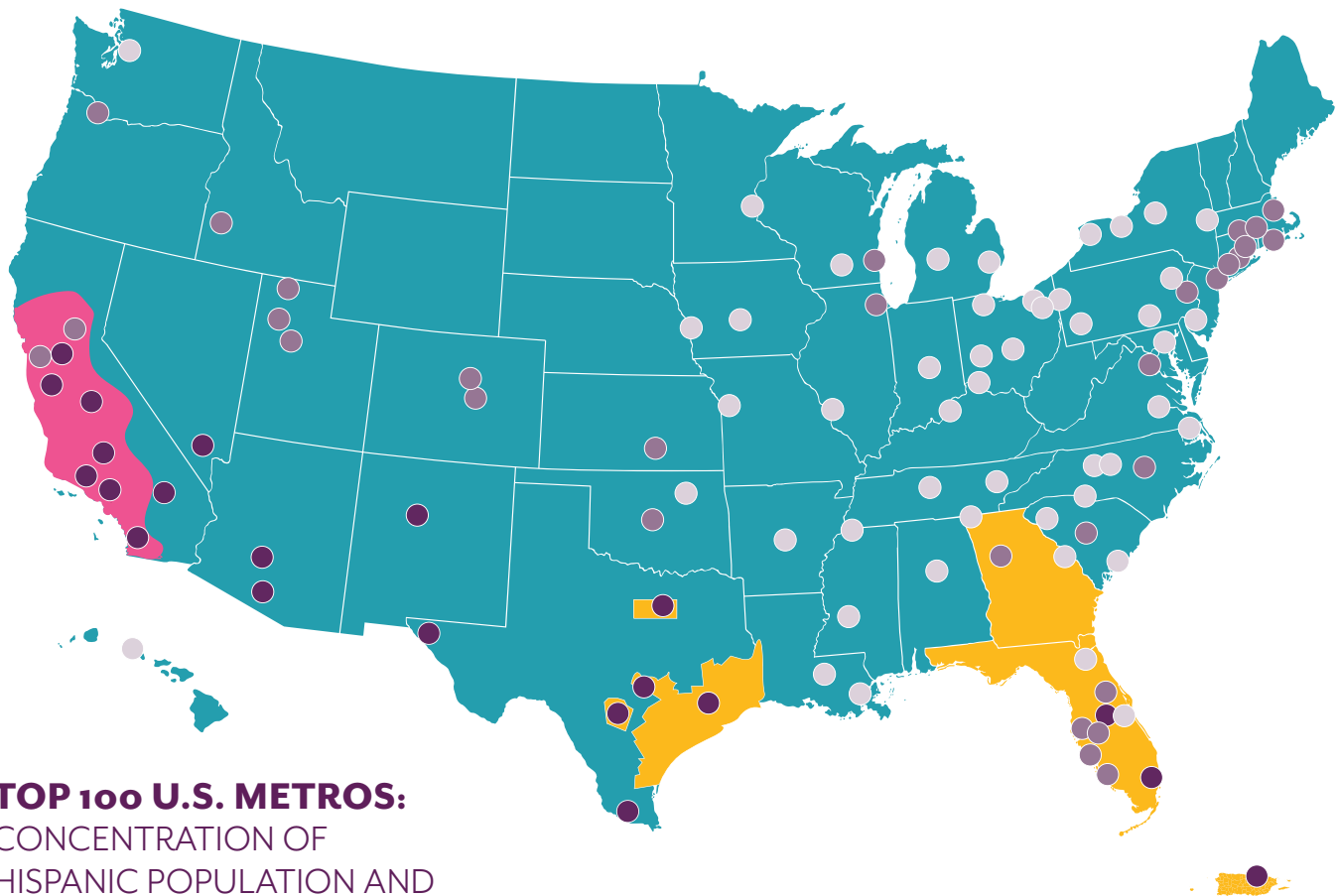
at least \$90 billion in damage, leveling property throughout the island and leaving it without a functioning power grid from which it has yet to recover.⁵³

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.

For the areas struck by natural disasters, adjustments to the protocols from FEMA, HUD and SBA are needed to simplify the process to obtain relief for homeowners affected by the disasters.

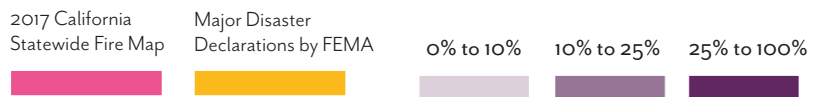
A CLOSER LOOK

Nearly one third (27.6 percent) of all employed Hispanic men in 2017 worked in natural resources, construction and maintenance occupations. Hispanic men accounted for roughly 36.1 percent of all men in construction and extraction occupations in 2017.



TOP 100 U.S. METROS: CONCENTRATION OF HISPANIC POPULATION AND 2017 NATURAL DISASTERS

SOURCE: California Department of Forestry and Fire Protection, Federal Emergency Management Agency, U.S. Census Bureau



The Immigration Reform, DACA, and TPS Quandary

On January 25, 2017, President Trump issued an executive order on Border Security and Immigration Reform Improvements demanding construction of an “impassable” border wall and increasing border detention and interior removal. Since that time, border removals actually dipped slightly in comparison to FY2016 due in large part to the recent trend of net zero undocumented migration into the country through the Southern border.

Some states chose to demonstrate an affirmative commitment by enacting anti-sanctuary legislation, such as in Texas with Senate Bill 4, which allows local law enforcement to question an individual’s immigration status and originally sought to impose penalties of greater than \$25,000 for not cooperating with Federal authorities. In Georgia, Senate Bill 269 sought to increase the impacts of anti-sanctuary legislation, which had already been in place since 2009, by barring local governments from adopting sanctuary policies and denying access to state funded grants for non-compliance.

The enforcement actions prompted a “sanctuary” reaction from some states, including California, and several cities promising not to cooperate with the Federal government’s deportation efforts. In response, Immigration and Customs Enforcement (ICE) began conducting raids in sanctuary cities, and in Q1 2017 it started publishing a list of cities that do not comply with detainer requests, actions some suggested were done as retribution.

Interior enforcement increased dramatically in FY 2017 ending in September, with ICE reporting an **increase of 36 percent for interior removals.**⁵⁴ Over that same period of time, **administrative arrests by ICE also increased by 42 percent.**⁵⁵ Since 2005, Latinos have already been disproportionately targeted for deportation, with 85 percent of removals noted as male workers.⁵⁶ Deportation efforts have an immediate impact on the current U.S. labor force by exporting out skilled labor, for example, in the construction industry.

The downstream, unintended consequences of the enforcement approach to immigration could have a worsening effect over time based on the number of individuals impacted in mixed-status households.

A total of 5.1 million children, 79 percent of whom are U.S. citizens, live in mixed-status households.⁵⁷ Current estimates indicate there are 16.6 million people residing in mixed-status households. When the parent of a minor who is a U.S. citizen is deported, there are serious ramifications to the residency of that child. For instance, citizen children whose parent is deported face a variety of options that all negatively impact their educational attainment and economic mobility, namely the loss of an adult, the prospect of moving with their parent outside of the U.S., and interruptions to their primary or secondary schooling patterns.

Hispanic renter households are comprised of 36.9 percent non-U.S. citizens, as compared to 6.5 percent of non-Hispanic households, and many undocumented individuals often reside in mixed-status households. The uncertainty caused by increased enforcement actions has, without question, had an effect on major purchase decisions such as homeownership.

Deferred Action for Childhood Arrivals (DACA) and Temporary Protected Status (TPS) recipients had obtained legal status by virtue of their respective designations. There are approximately 800,000 approved DACA recipients and potentially as many as 1.8 million eligible for DACA.⁵⁸ The reasonable assumption is that legal status provides increased opportunity, a chance at stable economic conditions, and the potential for improved long term trajectory. This was proven to be the case in one recent study of DACA recipients that showed positive increases across various economic indicators once DACA status had been approved. Of respondents, 91.4 percent indicated they are currently employed with median annual earnings of \$32,000, an increase of 40.6 percent from pre-DACA status earnings.⁵⁹ Following DACA approval, 65.3 percent pursued educational opportunities that were not otherwise

accessible, with 71.5 percent currently pursuing a bachelor’s degree or higher.⁶⁰ The impact to the U.S. economy from reversing DACA would be severe. The CATO Institute estimates the fiscal impact at \$351 billion in lost wages from 2019 to 2028 and \$92.9 billion in lost tax revenue by eliminating DACA.⁶¹

The labor force impacts would not be limited to DACA recipients alone. **Many DACA recipients note they have a mixed-status family with 72.7 percent indicating they have a spouse, parent, or child who is an American citizen.**⁶² It is possible the impacts of deportation of DACA recipients would create an economic burden on the remaining family members and disadvantage those who remain behind.

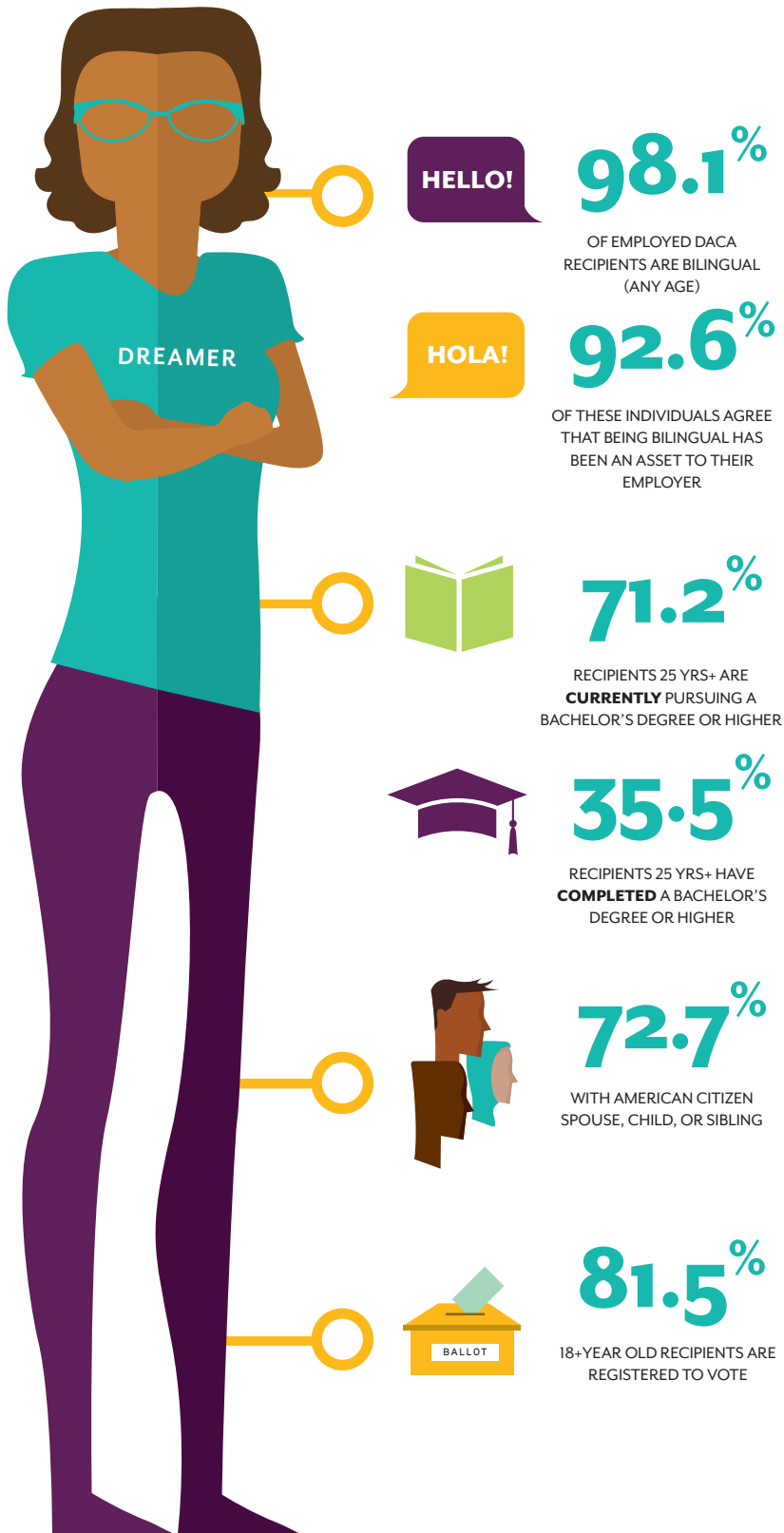
A CLOSER LOOK

DACA was initiated on June 15, 2012 by the 44th U.S. President, Barack Obama. It provides deferment from deportation actions, eligibility for a work permit and is subject to renewal every two years. Recipients are provided a government issued employment authorization card upon approval.



DREAMer CHARACTERISTICS

SOURCE: Center for American Progress



Temporary Protected Status is designated based on some pre-determined, extraordinary condition in a foreign country, and potential foreign born recipients must apply during a fixed period of time in order to be eligible. There are currently 300,000 individuals from 10 countries protected under TPS. Of those, 254,550 are Latinos from El Salvador, Honduras and Nicaragua.⁶³ A recent study showed that TPS have been able to improve their economic conditions since arrival to the country, with 94 percent of men and 81 percent of women actively employed and earning an average \$2,910 monthly.⁶⁴ **Approximately 30 percent live in owner-occupied homes**, and about 30 percent are actively engaged in volunteer efforts within their communities.

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.⁶⁵ 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.

conclusion

Enthusiasm for homeownership remains strong within the Hispanic community, and homeownership gains were achieved in 2017 despite significant obstacles. At an increase of 792,000 owner households since 2012, Hispanics have been responsible for 59 percent of homeownership growth in the U.S. over the past 5 years. There is work yet to be done to ensure the opportunity to become a homeowner remains available to Hispanics and other first-time homebuyers.

Serious barriers to continued growth for Hispanic homeownership exist today. In 2017, Hispanics were at the epicenter of a perfect storm of interwoven variables, which had a cooling effect on household formation and what could have been even greater homeownership gains.

For the areas struck by natural disasters, adjustments to the protocols from FEMA, HUD and SBA are needed to simplify the process to obtain relief for homeowners affected by the disasters. Additional emphasis is needed on efforts specific to Puerto Rico where the hurricane related damage caused catastrophic impact to its infrastructure. Five months after Hurricane Maria struck Puerto Rico, one third of its residents are still living without power, a scenario which seems unfathomable on the mainland. On an island that pre-hurricane had 11.9 percent unemployment, a persistent lack of urgently needed, coordinated relief could mean long term, tragic consequences to the housing industry on the island and in the U.S. mainland.

The crisis level inventory shortage must be managed to enable construction of affordable housing stock. The fastest growing metropolitan areas in 2017 also happen to have dense or growing Hispanic communities, Las Vegas (+10.2 percent), Charlotte, N.C. (+9 percent) and Orlando, Fla. (+8.9 percent).⁶⁶ In Las Vegas, affordable new housing starts (under \$300,000) were down 20 percent over the year prior.⁶⁷ A similar situation exists in Charlotte where affordable new product (under \$200,000) was down 23 percent compared to one year prior. In Orlando, overall housing supply increased 5.7 percent but remains extremely limited in comparison to demand.⁶⁸ In all three of these high-growth markets, affordable housing stock is severely limited, constraining demand and impeding potential growth in homeownership for Hispanics and other first-time home buyers.

The continued development of new homes outside of the affordable price ranges – to the near exclusion

of building affordable housing stock – puts in place an unsustainable growth strategy for the nation's housing economy and is increasingly making homeownership affordable only to the wealthy.

Perhaps the most difficult and worrisome obstacle is our legislature's inability to resolve the debate on immigration reform, including DACA. The volatility surrounding immigration reform is likely impeding homeownership growth and could cost the U.S. economy billions in lost income and tax revenue. As immigration reform and the fate of DACA recipients remain uncertain, the Hispanic consumer appetite to make the long term financial commitment required for homeownership could stall.

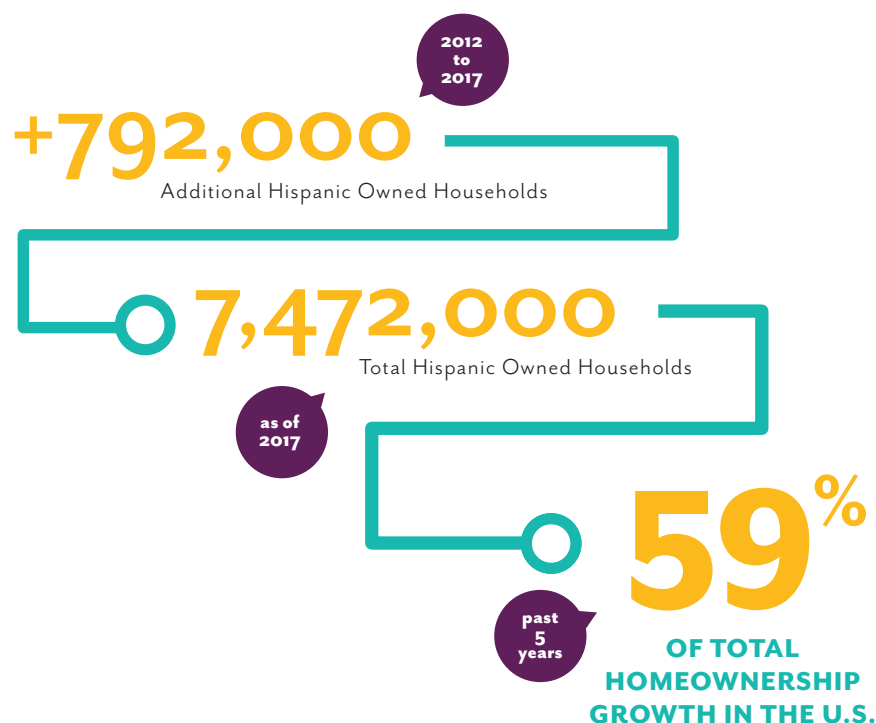
As the nation's primary driver of population growth and labor force growth, and the nation's historical driver of homeownership gains, Hispanics are critical to the U.S. economy, and their access to homeownership is a key element to the nation's economic growth.

The Hispanic homeownership rate has rebounded to within 3.5 percent of its pre-recession rate, a more rapid recovery than of the U.S. homeownership rate overall.

It is remarkable that the rate of Hispanic homeownership increased in 2017 despite all of the headwinds. The factors contributing to a slight slowing of Hispanic household formations are short term and solvable. 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.

HISPANIC HOMEOWNERSHIP GROWTH SINCE 2012

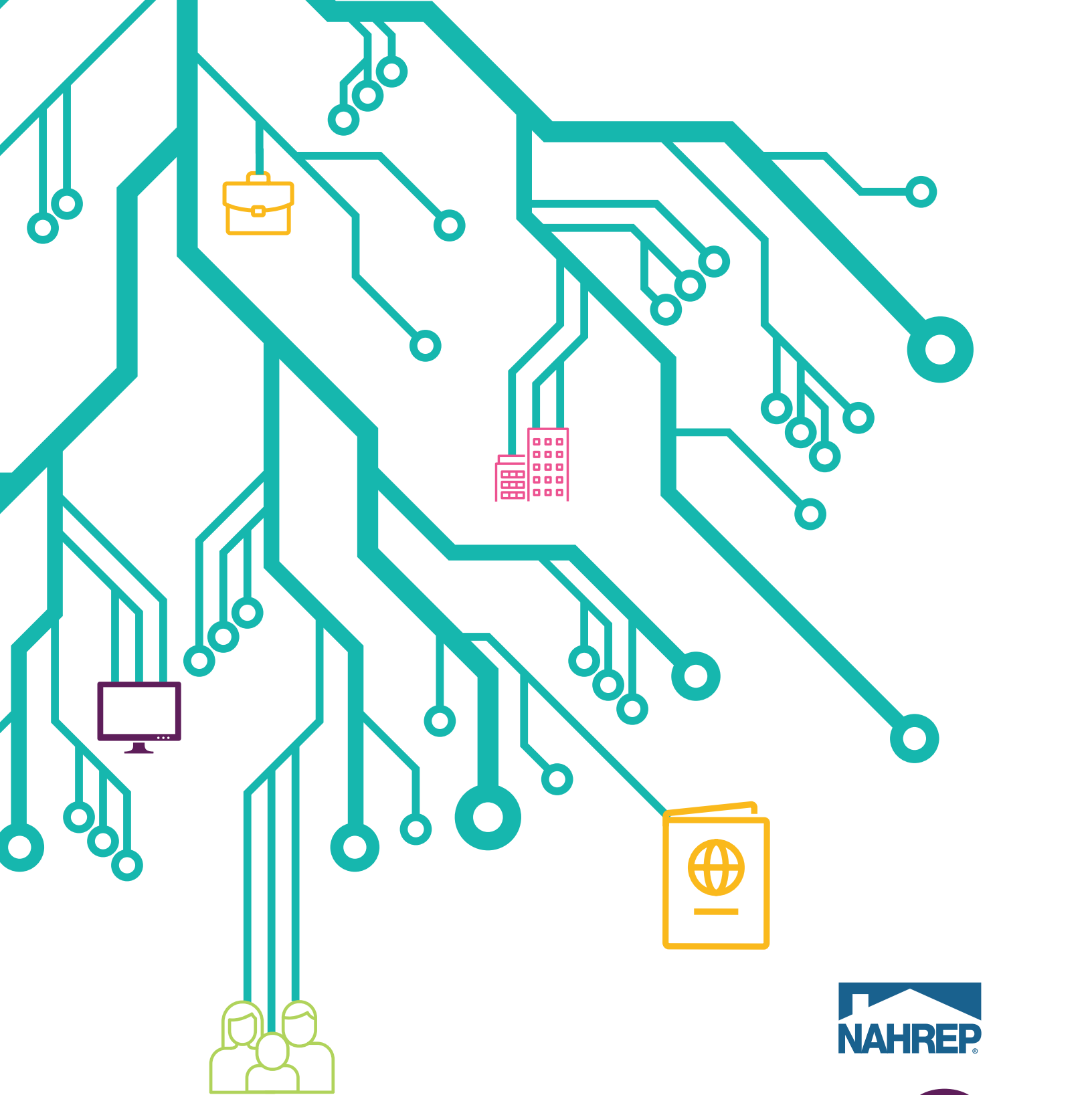
SOURCE: U.S. Census Bureau



end notes

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2018 POLICY POSITIONS

1. IMMIGRATION REFORM

THE ISSUE:

DREAMers and Comprehensive Immigration Reform

Earlier this year, U.S. Attorney General Jeff Sessions announced the end of a program known as “Deferred Action for Childhood Arrivals” —or “DACA” — which provided renewable, two-year work permits for undocumented immigrants who have lived in the country since they were children. As stewards of the economic interests of the Hispanic community in America, we were disappointed to hear of the sunset of the executive action that supported DACA, and we urge Congress to take up the mantle of preserving this important engine of economic growth and opportunity.

NAHREP joins over 100 of the most recognized companies in America as part of the Coalition for the American Dream to urge Congress to act immediately to pass a permanent, bipartisan, legislative solution to enable DREAMers who are currently living, working, and contributing to our communities to continue doing so. The imminent termination of the DACA program has created an impending crisis for workforces and Hispanic homeowners across the country. Studies by economists at the CATO Institute determined that, without legislation, our economy could lose \$215 billion in GDP.

“The average DACA recipient is 22 years old, employed, and a student. 17 percent of them are on track to complete an advanced degree. The college attrition rate of DACA recipients is miniscule compared to domestic students, an indication of the exceptional caliber of the DACA students and their degree of motivation....”

When it comes to homeownership, the math is even more evident in that clear status allows more DREAMers to invest in their future and contribute to stabilizing communities: “Immigrants who are not citizens hold a homeownership rate of 39.3 percent, according to the latest data from the U.S. Census Bureau in its 2013 Current Population Survey. However, once these immigrants become citizens, that number nearly doubles to a homeownership rate of 69.7 percent.” If the statistics hold for DREAMers, then more than half of the roughly 800,000 persons impacted would be successfully seeking homeownership, which has well-documented benefits to stabilizing communities and improving outcomes for everyone. One recent study noted that of the 91.4 percent of DREAMers who are actively employed, they experience wage growth from \$19,000 median annual earnings to \$32,000 median annual earnings once they had obtained status. Given there are up to 1.8 million total persons who could be eligible for status as DREAMers, similar levels of participation in the labor force would be a welcome economic infusion to the U.S. economy.

The overwhelming majority of the American public of all political backgrounds agrees that we should protect DREAMers from deportation. An acceptable solution will protect DREAMers without sacrificing their families, some of which may include undocumented individuals. It is time for Congress to protect the thousands of deserving young people from deportation. This support not only benefits their lives, but also the nation’s GDP, housing market, and community stabilization efforts.

THE SOLUTION:

- NAHREP demands a bipartisan, immediate DREAMer “fix”.
- NAHREP urges the federal government to focus its efforts on comprehensive, equitable immigration reform strategies which forego the unreasonable expenditures associated with a physical border wall structure and which provide the protections of legal status or citizenship for the other 11 million undocumented individuals currently residing in the U.S.

THE ISSUE:

Restoration of the Central American Minors (CAM) program:

The CAM refugee program created during the Obama Administration in response to the growing gang violence and political turmoil threatening the lives of millions of families in El Salvador, Guatemala, and Honduras has been effectively eliminated by this Administration. Under the program, legal workers from those three countries would be able to bring their children (under the age of 21) and spouses to the United States under refugee status. As of today, the U.S. is no longer accepting applications for refugee status, and it is unclear what the 3,000 or so applicants in the pipeline will face during their interviews. NAHREP stands with its immigrant family – friends, customers, relatives, or neighbors – and insists that this program be re-instated for the foreseeable future. We are asking Congress to reauthorize this program and urge the Administration to do the right thing to support the ability of these hard-working families to live safely in this country and the opportunity to seek out the American dream.

THE SOLUTION:

NAHREP urges the federal government to restore all asylum and refugee programs, particularly those that protect vulnerable Hispanics living and working in the United States.

THE ISSUE:

Reauthorize Temporary Protected Status program:

Under the TPS program, 300,000 individuals from 10 countries, 85 percent of whom are from El Salvador, Honduras and Nicaragua, have received legal status to remain in the U.S. because the Secretary of the Department of Homeland Security has deemed conditions in their birth country to be unsuitable to accommodate their return. TPS status for immigrants from Central America and other countries are set to expire over the course of the next 18 months, with Honduran TPS protections expiring July 5, 2018.

TPS recipients are actively contributing to the U.S. economy, with 94 percent of men and 81 percent of women actively employed. Their TPS allows them to access to obtain work permits, driver licenses, and other protections afforded through legal status. Of those working, 23 percent of men are employed within the construction industry which is already suffering a shortage of skilled labor.

THE SOLUTION:

NAHREP urges the federal government to extend TPS protections to those currently covered under the program’s protections, preserving their ability to continue to actively contribute to the U.S. economy.

2. PROTECT THE WEALTH-BUILDING OPPORTUNITIES OF HOMEOWNERSHIP

BACKGROUND

As both chambers of Congress are considering reforms to the housing finance system, there is no time like the present to take stock of what is and is not working for aspiring Hispanic homeowners under the current system of rules, regulations, guidelines, and laws. For the first time in several years, Hispanic homeownership gains were a smaller percentage of the overall country's gains. A number of public policy factors are responsible, and addressing them in turn should help to change the course.

THE ISSUE:

Preserve the 30-Year, Fixed Rate Mortgage

The current prevalence and wide availability of the thirty-year, fixed rate, and fully pre-payable mortgage is bedrock for the Hispanic homeowner. The fact that this mortgage product is available from lenders of all sizes and shapes, and at roughly the same terms (e.g., interest rates and fees) regardless of geographic location, is a modern marvel, and one that must be preserved.

THE SOLUTION:

NAHREP strongly supports the structures in the current market place that permit the availability of the 30-year, fixed rate mortgage for all creditworthy borrowers in all geographic areas at roughly the same cost.

THE ISSUE:

Improve Access to Credit

NAHREP supports up-to-date, transparent, public, and widely accessible methods of credit scoring to qualify individuals for homeownership. The current credit scoring model used in the industry was created in the 1990s and does not take into account positive credit attributes, such as paying a cell phone bill on time, NAHREP believes there is a great deal of room for improvement. First, while there are more factors than credit score alone that qualify a consumer for homeownership, knowing the score is a key signifier to the consumer as to their homeownership readiness. It is for this reason that NAHREP supports a publicly available credit score source for consumers to access at any time to understand what their credit score would be if a lender were to evaluate their creditworthiness for a mortgage. Second, NAHREP urges the industry to adopt credit scoring methodologies that track the way consumers use credit, incur debts, and pay expenses today. Updated models reflect the current spending and income habits of this unique generation of earners and should be adopted at every stage of the mortgage process. A recent study noted that about 30 million more consumers could be scored using updated models, increasing homeownership opportunities to as many as 7.6 million consumers.

In addition to credit scoring changes, availability of low-down payment mortgages is critical to improving credit access for first-time home buyers. Hispanics, in particular, cite down payment as a barrier to homeownership and the prevalence of conventional or FHA options is an important element to increasing homeownership opportunities for credit-worthy borrowers.

THE SOLUTION:

- NAHREP supports the adoption of transparent, public, alternative credit scoring models to be used to credit qualify individuals for homeownership.
- NAHREP urges Fannie Mae, Freddie Mac and FHA to preserve affordable, low-down payment mortgage products as the best source of mortgage financing for Hispanics and other first-time homebuyers.

THE ISSUE:

Shortage of Affordable Housing Inventory

Even after accomplishing the goals of finding a budget that makes sense and determining qualifications, aspiring homeowners or existing homeowners shopping are finding fewer and fewer homes for sale in affordable price ranges. The housing industry describes this as "tight inventory." So, while it is true that now is a great time to sell your home because you very likely could get your full asking price, finding a new place to move into or finding your first home is becoming increasingly difficult because of the inventory shortage.

A combination of factors, from the macro-economic (rising interest rates) to federal banking regulations (expense in obtaining construction loans), and even local, city council decisions (lack of transit-based development and local building codes), led to the current inventory crisis. As a national organization working every day to improve opportunities for Hispanic homeownership, NAHREP is committed to tackling difficult problems. In 2018, NAHREP is laser-focused on public policy initiatives that reduce the costs associated with constructing new homes that are priced for sale at \$300,000 or less.

First, NAHREP supports the work of the banking regulators to clarify the definitions of "high volatility commercial real estate." Though a complicated banking concept, however this clarification means that when a homebuilder goes to a bank to obtain a loan to purchase raw land to build single-family homes, s/he will face lower borrowing costs. Further refinements have been introduced in legislation proposed by both the House and the Senate that NAHREP broadly supports for the same reasons. Second, NAHREP is launching an initiative to identify restrictive building codes and land use policies in Florida, Illinois, New York, and Arizona that make it difficult to build homes in counties that have the highest population of Hispanic homeownership demands. By targeting these states that have a critical mass of Hispanics with unmet homeownership needs, this specific focus will reduce the burden in these communities and serve as a model for similar towns and cities across the country. Third, in any and every discussion about federal infrastructure spending, NAHREP supports transit-based development projects. In a nutshell, NAHREP believes that bringing public transportation or improved road and supply access to the places that Hispanic families want to live is a critical element in meeting the unmet homeownership desires of the community.

THE SOLUTION:

- NAHREP supports federal banking regulators' efforts and Congressional legislation that reduces borrowing costs for homebuilders who are constructing single-family homes that are affordable for the average Hispanic homeowner.
- NAHREP will study and name the restrictive building and land use rules that are inhibiting homeownership in leading Hispanic – dense communities where unmet demand is at its highest.
- NAHREP urges federal policy makers to focus on infrastructure expenditures that improve commute times for homes in affordable markets.

3. TAX REFORM: SMALL BUSINESS IMPACTS AND HOMEOWNERSHIP IMPACTS

THE ISSUE:

Tax Reform Fixes

While there are elements of the tax effort that fall short of expectations, there are a few gains which positively affect the balance sheets of NAHREP members and homeowners. With the changes in the way homeownership (mortgage interest, state and local property taxes) is handled in the bill, there are fewer incentives for homeownership over renting. Some in our industry are very concerned about this impact. NAHREP's approach is more pragmatic, understanding that Hispanic families do not pursue homeownership for the tax benefits; however, we know that every dollar matters in a tight family budget. The cap on state and local taxes (both income and property) of \$10,000 will disproportionately impact some of the most desirable areas to live, where taxes are also high (and presumably where the schools and public infrastructure are also highly rated) or states with higher taxes, like New York, California, New Jersey, Maryland, and a few others. This disproportionate treatment for the upwardly mobile is unfair and bad public policy.

As Congress considers impacts on Hispanic homeowners and important changes to the tax bill, we emphasize these important fixes in 2018:

THE SOLUTION:

- **THEFT AND DISASTER DEDUCTIONS:** Losses, loosely defined to include fire, storms, shipwreck, and theft, are not covered by insurance used to be deductible. Now, only losses not covered by insurance from presidentially declared disasters that exceed 10% of income can be deducted. We think that the deduction should be restored to its original coverage for any loss from theft or natural disaster, regardless of the presidential declaration.
- **BASE EROSION ANTI-EVASION TAX:** This tax penalty, which was intended to punish companies that moved operations off-shore, includes Puerto Rico as an "off-shore" territory, and makes it subject to tax. Repeal of this element as it applies to Puerto Rico is important.
- **STATE AND LOCAL TAX DEDUCTIONS:** While the debate on state and local tax deductions is largely over now that the Tax Cuts and Jobs Act has passed, NAHREP advocates for a better compromise than that which was struck and ended up in law in order to reduce burdens on Hispanics in states and localities with higher taxes.

4. DISASTER RELIEF: PUERTO RICO, FLORIDA, TEXAS, AND CALIFORNIA

THE ISSUE:

Improved Access to Disaster Relief Resources

The Hispanic communities in Puerto Rico, Florida, Texas, and California were disproportionately impacted by the recent hurricanes and wildfires. As friends, family, and customers recover in those areas, NAHREP is working to make sure resources are available for their recovery and to help fund projects that will mitigate damages from natural disasters. Recently, legislation passed that included NAHREP-supported text that maximizes the amount of assistance that individuals may avail themselves from the Small Business Administration individual loans, the Department of Housing, and Urban Development's Community Development Block Grant funds for individuals, and from the Federal Emergency Management Agency. While this progress is encouraging, more can and should be done.

THE SOLUTION:

- NAHREP supports a robust federal support for storm and wildfire mitigation efforts.
- NAHREP urges the federal government to provide more resources to restore the basic infrastructure of Puerto Rico.
- NAHREP urges Housing and Urban development to implement solutions outlined in its white paper on relief efforts specific to Puerto Rico. Recommendations and supporting data outline five elements in an appropriate course of action:
 1. Provide delinquent homeowners the opportunity to halt foreclosure proceedings thereby avoiding mortgage foreclosure losses and their impact on U.S. tax payers
 2. Modify the 203K loan minimum requirements for Puerto Rican homeowners
 3. Create moratoriums on large scale land deals during the crisis
 4. Create an adequate real estate property tax structure
 5. Develop incentives to create hurricane and energy efficient housing



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