



Hispanic Americans: A Driving Force in the Housing Market

How can mortgage and real estate professionals build a digital outreach strategy to guide Hispanic borrowers?

Content

Hispanic Homeownership: By the Numbers	3
The Number of Hispanic-Owned Homes Continues to Grow Significantly	4
Location and Hispanic Homeownership	5
Think Local, National and International	6
Hispanic Homeownership: Challenges and Obstacles	7
Primary Obstacles for Hispanic Homebuyers	8
Narrowing the Homeownership Gap	9
What is the Opportunity for "Mortgage Ready" Borrowers?	10
How Can the Housing Ecosystem Help Hispanic Borrowers Address Homebuying Challenges?	11
How Can Housing Professionals Help Borrowers Overcome Down Payment Misconceptions?	12
What's Important to Hispanic Homebuyers?	13
The Hispanic American Household is Often Multigenerational	15
Connecting with Hispanic Homebuyers	16
Leveraging Mobile: Developing a Digital Outreach Strategy	18
Synchronizing the Message with the Medium	19
Matching Simple Solutions with Common Challenges	20



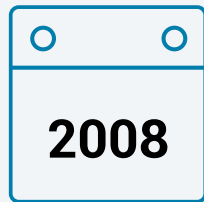


Hispanic Homeownership: By the Numbers

The Number of Hispanic-Owned Homes Continues to Grow Significantly

While the rate of homeownership among Hispanic Americans lags behind the rate for white, non-Hispanic Americans, the gap is expected to narrow. In fact, Hispanics became the first ethnic demographic to show an increase to its 2015 post-recession homeownership rate.

In 2018, Hispanic Americans made up approximately 485,000 of new households, accounting for more than one-third of total U.S. household formations. By 2030, an estimated **56 percent of all new homeowners** will be Hispanic, making them a driving force in the housing market.



6,319,000
HOUSEHOLDS



7,877,000
HOUSEHOLDS



THAT'S AN INCREASE OF

1,558,000
HOUSEHOLDS

Source: NAHREP - 2018 State of Home Ownership Report



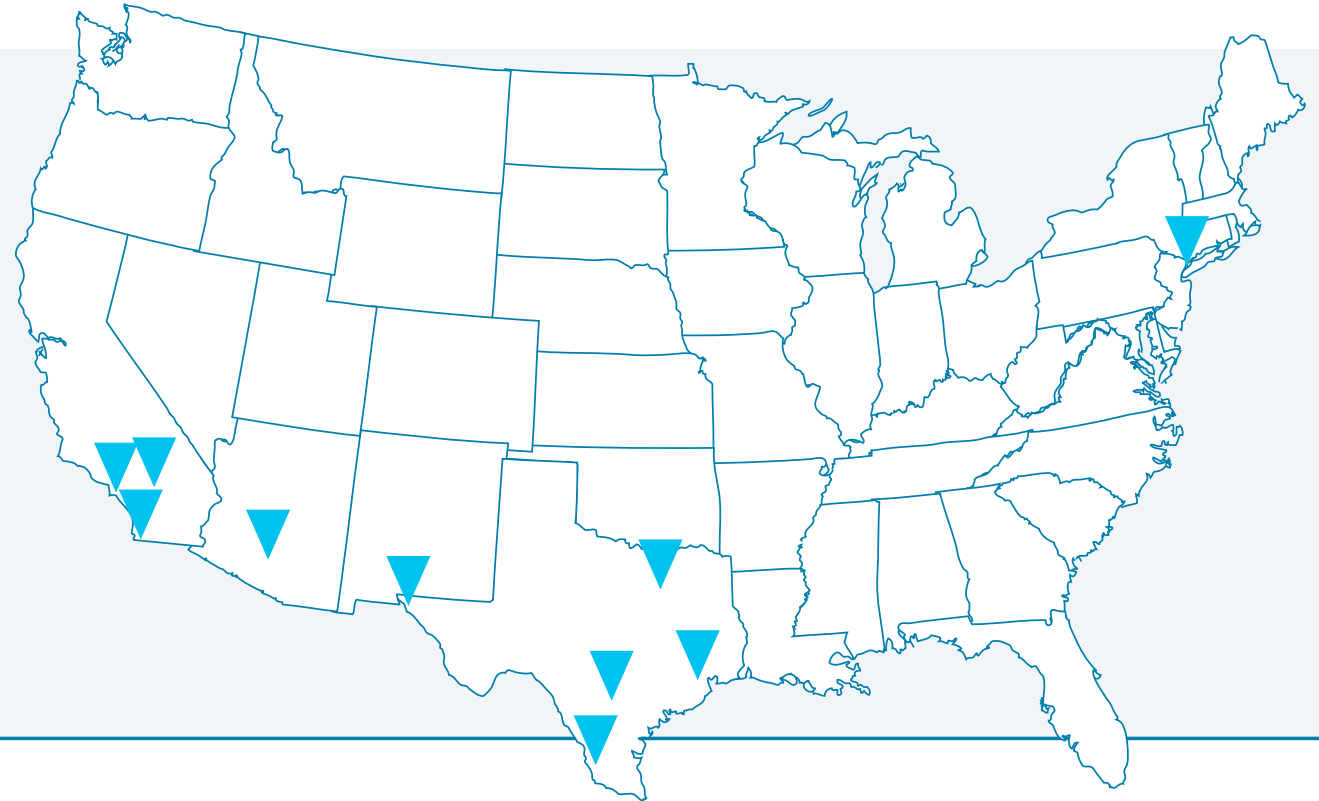
Location and Hispanic Homeownership

An Urban Institute study found that while the [homeownership gap](#) is shrinking, it tends to be larger in Northeast states and smaller in the Southwest, which is often home to a larger share of the Hispanic American population.

CITIES WITH THE LARGEST NUMBER OF HISPANIC HOUSEHOLDS:

- Dallas, Texas
- Houston, Texas
- Los Angeles, Calif.
- Phoenix, Ariz.
- Riverside, Calif.
- San Antonio, Texas
- San Diego, Calif.
- El Paso, Texas
- Laredo, Texas
- New York, N.Y.

Source: Urban Institute





Think Local, National and International



I'm from Texas, home to a large Mexican American population. As I've moved to the middle Atlantic, I've found that most people of Hispanic origin tend to be from El Salvador. In other parts of the country, such as south Florida, I might find more Cuban and Caribbean Hispanics. Be sure to understand your local market because not all communities are the same.

Danny Gardner

Senior Vice President of Affordable Lending and Access to Credit
Freddie Mac Single-Family



Hispanic Homeownership: Challenges and Obstacles

Primary Obstacles for Hispanic Homebuyers

Despite being one of the fastest growing demographics, lack of available, affordable housing in many areas and credit-related challenges have prevented some Hispanics from getting a mortgage.

In addition, some homebuyers with Limited English Proficiency (LEP) are hindered by gaps in communication, education, understanding and confidence needed throughout the complex homebuying and mortgage processes.



Zoom in on the Data

According to [2018 Home Mortgage Disclosure Act \(HMDA\) data](#), the denial rate for Hispanic applicants was slightly higher than overall applicants. Primary denial reasons:

- Debt-to-income (DTI) ratio: 34 percent
- Credit history: 20 percent
- Collateral: 12 percent



INSUFFICIENT
CREDIT SCORE



LIMITED ENGLISH
PROFICIENCY



INABILITY TO
AFFORD A DOWN
PAYMENT



INSUFFICIENT
INCOME FOR MONTHLY
PAYMENTS



Narrowing the Homeownership Gap

The Hispanic homeownership rate is influenced by the same factors that influence the homeownership rate of white, non-Hispanic Americans: primarily age, income and education. These factors account for almost 90 percent of the differential between Hispanic and white populations.

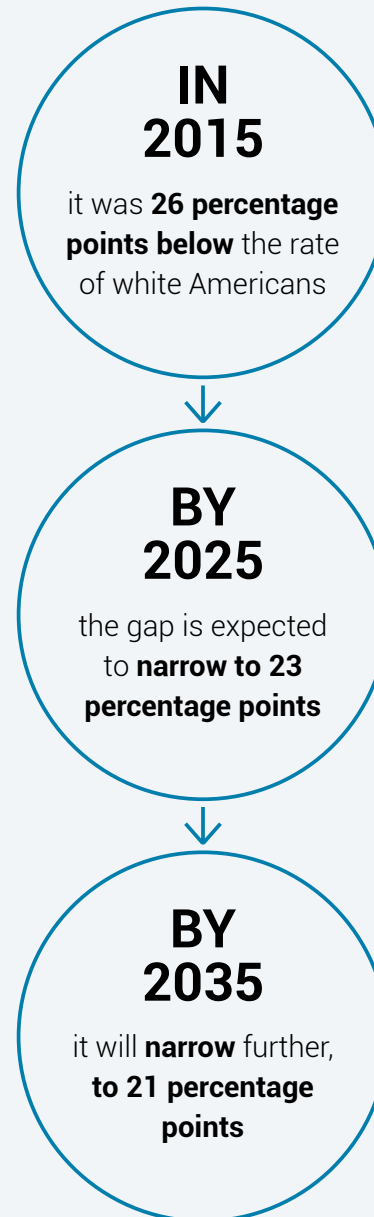


Zoom in on the Data

For longer-term residents (as opposed to new immigrants) the gap is projected to narrow to 16 percentage points in 2025 and nine percentage points in 2035.

Source: Freddie Mac - Will the Hispanic Homeownership Gap Persist?

THE RATE OF HOMEOWNERSHIP AMONG HISPANICS: KNOW THE TRENDS



What is the Opportunity for “Mortgage Ready” Borrowers? ¹

“MORTGAGE READY” (INCLUDES ALL OF THE FOLLOWING)

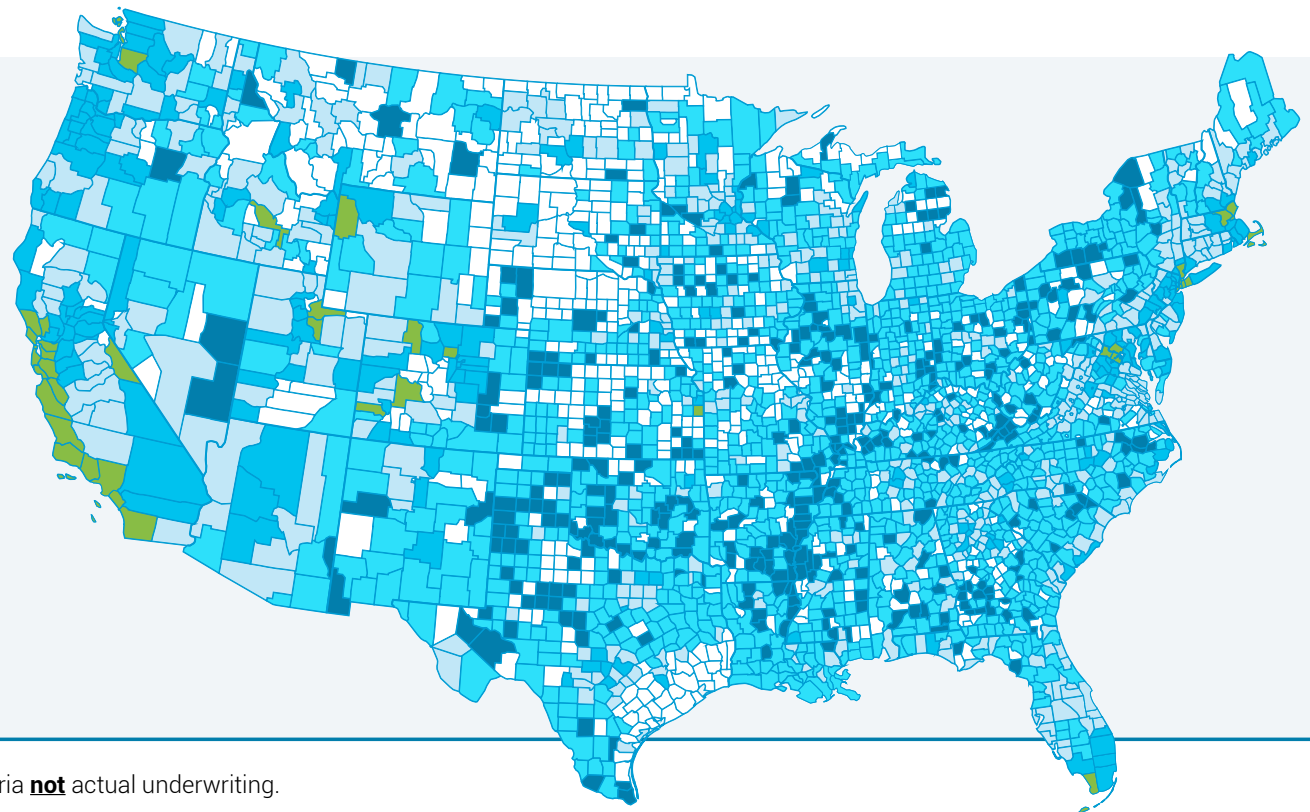
- FICO \geq 620
- Debt-to-income ratio (DTI) \leq 25
- No foreclosures in 84 months
- No bankruptcies in 84 months
- No severe delinquencies in 12 months

“MORTGAGE WEAK” (ANY OF THE FOLLOWING)

- FICO $<$ 620
- DTI $>$ 25
- Foreclosures in 84 months
- Bankruptcies in 84 months
- Severe delinquencies in 12 months

TIME TO SAVE (THREE PERCENT) FOR “MORTGAGE READY” HISPANICS

- Less than 1 year
- 1 - 2 years
- 2 - 3 years
- 3 - 5 years
- More than 5 years



Source: Freddie Mac calculations using anonymized credit bureau data for Sept. 2018.

¹ Note: Mortgage readiness - Based on research criteria **not** actual underwriting.



How Can the Housing Ecosystem Help Hispanic Borrowers Address Homebuying Challenges?

Challenge: 41 percent of “Mortgage Weak” Hispanics have a clean, thin file (with no delinquencies and two or fewer credit accounts).



HOUSING PROFESSIONALS CAN HELP BY:



TEACHING HOW TO USE
CREDIT AS A TOOL



USING BANK STATEMENTS
TO IDENTIFY INCOME



UTILIZING ALTERNATIVE
CREDIT DATA

How Can Housing Professionals Help Borrowers Overcome Down Payment Misconceptions?

Challenge: Many Hispanic Americans are concentrated in high-cost areas, impacting the length of time required to save for a traditional down payment.

- White, non-Hispanic: 14.4 years to save 20 percent down payment (median home price \$243K)
- Hispanic: 24.5 years to save 20 percent down payment (median home price \$349K)
- African American: 15.4 years to save 20 percent down payment (median home price \$216K)
- Asian: 23.5 years to save 20 percent down payment (median home price \$429K)

Source: Freddie Mac calculations using anonymized credit bureau data for Sept. 2018. Time to Save is calculated by dividing down payment requirements by monthly savings.

SOLUTIONS TO DOWN PAYMENT CHALLENGES:



Apply sweat equity for up to the entire amount of the down payment and closing costs



Non-occupying co-borrowers can contribute to borrower funds on one-unit properties



Enable empowered decisions with financial literacy education



Down payment assistance to help qualified borrowers



Home Possible® mortgages offer flexibility to fit a variety of borrower situations



HomeOneSM mortgages are for first-time homebuyers and no cash-out refinance borrowers





What's Important to Hispanic Homebuyers



What's Important to Hispanic Homebuyers?

Considering that over the last decade, Hispanics have the largest share of population growth in the U.S., and that trend is expected to continue, what are the implications for lenders, builders, real estate professionals and everyone connected to the housing ecosystem? It's time to adopt business practices beyond those that were built around the nuclear family.



The industry as a whole—both real estate and mortgage banking—should seek to employ more people from a younger demographic, whether they're millennials or the incoming Generation Z, who have language skills that would be helpful to borrowers.

Marisa Calderon
Executive Director
National Association of Hispanic Real Estate Professionals (NAHREP)

The Hispanic American Household is Often Multigenerational

Multigenerational living—defined as at least two adult generations or grandparents and grandchildren younger than 25 living under one roof—is a trend on the rise in America. More than [64 million people in the U.S.](#)—approximately one in five individuals—live in multigenerational households comprised, typically, of parents, children and grandparents. Once upon a time, getting one's own place was a symbol of independence, a milestone of adulthood; not so much anymore.

Increasingly, American families are choosing multigenerational living arrangements. And the phenomenon is especially prevalent in the Hispanic American community.

Source: Pew Research Center - Fact Tank *News in the Numbers*.

MULTIGENERATIONAL HOUSEHOLDS IN THE U.S.

Between 1950 and 1970



The U.S. population grew by **more than 50 million**.



The number of multigenerational households declined from **32.2 million to 25.8 million**.

By 2016



The number of multigenerational households rose to 64 million or **20 percent of the U.S. population**.



The percentage is **higher for Hispanic families at 27 percent**.





Connecting with Hispanic Homebuyers

Connecting with Hispanic American Homebuyers

Hispanic Americans use smartphones to communicate, shop, access entertainment and socialize more than any other U.S. demographic. Combine this trend with the inexorable rise in Hispanic homeownership, and there's a golden opportunity to showcase mortgage solutions, homebuyer education, and connect with this fast-growing, increasingly affluent population.



Zoom in on the Data

Hispanic millennials spend 25 percent more time on their smartphones and more heavily engage on social media, compared to other groups.



Leveraging Mobile: Developing a Digital Outreach Strategy

With Hispanics relying heavily on mobile for financial services, companies are rebooting their digital campaigns to engage with would-be homebuyers in this group. In addition, when using mobile marketing, housing professionals are more likely to resonate with Hispanics if they can drum up positive online feedback within a community knitted so closely together by social media.

SOME OF THE TACTICS AND CHANNELS THAT COMPANIES ARE LEVERAGING INCLUDE:

Creating teams focused solely on marketing to Hispanics

Paid search and social media ads

Culturally diverse imagery

Online video

Targeted mobile distribution

Activity messaging



Synchronizing the Message with the Medium

To connect with Hispanic consumers, housing professionals should also promote tailored solutions, channeled through the right media. Mobile, as it now stands, is the ideal platform.

Deploying mobile marketing that is strategically distributed and emphasizes solving challenges can be very effective.



Zoom in on the Data

When it comes to mobile usage, Hispanics log more than two hours and 20 minutes a day for app and web on smartphones, according to a [2018 study by Nielsen](#).

BECOME A TRUSTED ADVISOR AND EARN REFERRALS BY HELPING CUSTOMERS SOLVE CHALLENGES WITH:



An online educational site with tools and information for prospective homebuyers



Low down payment options for qualified borrowers



Automated assessments for borrowers lacking a credit score



A self-employed borrower income verification solution



An industry-standard site with a [Spanish-language mortgage glossary](#) and free translated mortgage homebuyer documents



Matching Simple Solutions with Common Challenges

To gain trust, lenders should start with well-articulated solutions to problems some of these borrowers may face when buying a home, including:

- Imperfect credit histories.
- The inability to make a large down payment.
- Concerns about income requirements.
- Piecing together total annual earnings from inconsistent, unique sources of income, i.e. consulting, project work or seasonal employment.

With only a split-second window of opportunity, housing professionals are more likely to gain traction by addressing one problem at a time within a message.





Helping you help future borrowers.

[Read more about the Borrower of the Future®](#)

AN **ALL FOR HOME** INSIGHT

All in. All of us. All For Home. sf.freddiemac.com/allforhome



MENU