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2022 STATE OF

Hispanic



HOMEOWNERSHIP

REPORT



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THANK YOU

Our deepest gratitude to all who contributed to the production of this report.



HISPANIC
WEALTH
PROJECT

The National Association of Hispanic Real Estate Professionals® (NAHREP®) is a non-profit trade association founded in 1999. The association has a network of 40,000 real estate professionals and 100+ chapters 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 NAHREP® and the Hispanic Wealth Project™.

ACKNOWLEDGEMENTS

Houston Photography Project

By Adriel Salazar, Photographer, Master Space Media

This report features photographs of real people and families in Houston, Texas who purchased a home in the last year. Texas continues to be home to the nation's top opportunity markets for new Latino homebuyers. Overall, Houston, Texas was the third highest ranking market that added the greatest number of new Latino homeowners over the last two years.

The Alvarado Family

Randy Alvarez and Karla Prieto

The Andrade Family

The Barreras Family

The Garza Family

Adrian De La Garza with Lexie Garza

Alberto Gaudi with Chilango JR Produce

The Paz Family

The Perez Family

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THE GARZA FAMILY

CONTENTS

	BACKGROUND & METHODOLOGY	pg. 4
	EXECUTIVE SUMMARY	pg. 6
1	HISPANIC HOMEOWNERSHIP TRENDS	pg. 8
2	DEMOGRAPHIC FACTORS IMPACTING HISPANIC HOMEOWNERSHIP	pg. 14
3	BARRIERS AND OPPORTUNITIES TO HOMEOWNERSHIP	pg. 16
4	ADDRESSING HOMEOWNERSHIP GAPS	pg. 28
	2022 LATINO BUYERS SURVEY	pg. 32
	END NOTES	pg. 34
	NAHREP 2023 POLICY PRIORITIES	pg. 37

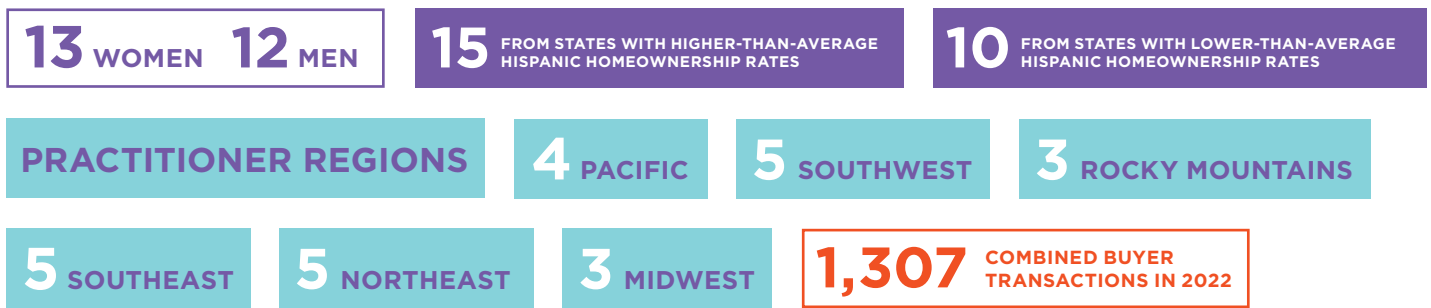
REPORT METHODOLOGY

NAHREP conducted its second annual qualitative study of 25 top producing, buyers-side Latino^a real estate practitioners to humanize the report’s findings and data. This study seeks to better understand the nuances and trends of Latino homebuyers and the professionals who help them. This study also includes NAHREP’s annual Latino Buyers Survey.

2022 TOP REAL ESTATE PRACTITIONER STUDY

NAHREP conducted in-depth interviews with all 25 top Latino real estate practitioners, with the goal of offering a comprehensive overview of the Latino home buying experience in 2022. Candidates were selected from the NAHREP 2022 Top 250 Latino Agents Award publication and were considered based on number of transactions to home buying clients (as opposed to listing agents). The sample considers participant gender, broker status, and location, capturing Latino home buying trends from diverse housing markets and backgrounds.

BREAKDOWN OF PRACTITIONERS INTERVIEWED:



2022 LATINO BUYERS SURVEY

NAHREP conducted its annual Latino Buyers Survey from January 1 to February 13, 2023, to gauge Latino home buying trends across the country. The survey was administered online and received 510 responses.

PUBLIC DATA SETS

The State of Hispanic Homeownership Report employs data annually from the U.S. Census Bureau’s American Community Survey (ACS) and Current Population Survey/Housing Vacancy Survey (CPS/HVS). Additional data sets utilized in this report include the Home Mortgage Disclosure Act (HMDA), 2022 Annual Social and Economic Supplement (CPS ASEC), and Bureau of Labor Statistics. Microdata analysis of the ACS, CPS/ASEC, and HMDA data was conducted in partnership with Polygon Research. Additional data partners include CoreLogic, Freddie Mac, and realtor.com[®].

LATINO HOMEOWNERSHIP RATE ACROSS DATA SETS

The U.S. Census Bureau releases two annual data sets that measure homeownership rates by race and ethnicity: the American Community Survey (ACS) and the Current Population Survey/Housing Vacancy Survey (CPS/HVS). NAHREP utilizes the CPS/HVS to determine the national annual Hispanic homeownership rate, and the ACS 1-Year estimates for state and local homeownership rate analysis. CPS/HVS survey data provides timelier national data, however, the ACS’ survey sample size is more appropriate for smaller geographies.

Both surveys reaffirm that the Hispanic homeownership rate has climbed steadily for nearly a decade, experiencing consistent year-over-year growth since 2014. However, recently there has been a notable discrepancy between the two data sets. According to ACS 1-Year Estimates, the Hispanic homeownership rate rose to 50.6 percent in 2021, while the CPS/HVS reported 48.4 percent for that same year, creating a notable 2.2 percentage point gap. Over the past decade, discrepancies between both surveys typically fell under 1 percentage point. The 2022 ACS 1-Year Estimates are expected to be released in September of 2023.

^a For clarification, the terms “Hispanic” and “Latino” are used interchangeably throughout this document to refer to people of Mexican, Puerto Rican, Cuban, Central American, South American, Dominican, Spanish, and descent from other Spanish-speaking countries.

BACKGROUND

The **2022 State of Hispanic Homeownership Report**[®] is in its thirteenth year of publication, a product of both the National Association of Hispanic Real Estate Professionals[®] (NAHREP[®]) and the Hispanic Wealth Project[™]. The report coalesces research and data across a broad cross-section within and outside the housing industry. It serves to evaluate how the U.S. Latino population is faring in terms of homeownership acquisition, and to review the primary opportunities and barriers to future homeownership growth.

HISPANIC HOMEOWNERSHIP: THE NUMBERS

YEAR	RATE OF HOMEOWNERSHIP (AS A PERCENTAGE)	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	6,199,000	-54,000
2011	46.9	6,334,000	+135,000
2012	46.1	6,692,000	+358,000
2013	46.1	6,794,000	+101,000
2014	45.4	6,866,000	+73,000
2015	45.6	7,119,000	+253,000
2016	46.0	7,339,000	+220,000
2017	46.2	7,515,000	+176,000
2018	47.1	7,877,000	+362,000
2019	47.5	8,156,000	+277,000
2020*	—	—	—
2021	48.4	8,805,000	+657,000
2022	48.6	9,164,000	+349,000

SOURCE U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey (2022)

TABLE A: Hispanic homeownership rates and total owner households from 2000 through 2022.

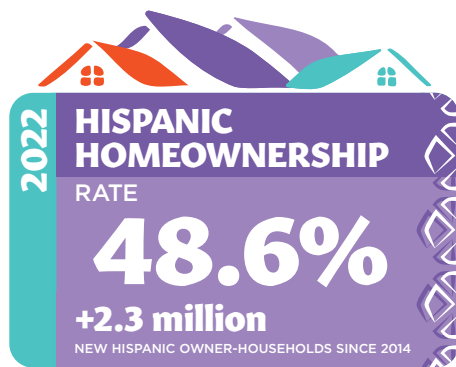
*Data reported by the U.S. Census Bureau in 2020 was likely overestimated due to methodological changes in data collection during the peak of the pandemic, therefore NAHREP has opted to omit 2020 specific data from this calculation. The unit change in 2021 is reflective of the two-year increase between 2019 and 2021.

EXECUTIVE SUMMARY

2022 began with an extremely hot real estate market fueled by record low interest rates. Competition for single-family homes was at an all-time high in almost every major market in the country, driving record home price appreciation. However, after several months of double-digit inflation, the Federal Reserve began an aggressive series of interest rate increases — the sharpest in decades. In a span of seven months, mortgage rates rose from 3 to 7 percent. The combination of higher interest rates and rising home price appreciation made affordability for first-time buyers more difficult than at any time in recent history. Notwithstanding strong headwinds, Latinos remain the only demographic to post eight continuous years of steady homeownership gains. In NAHREP's annual survey and qualitative study, a consistent theme among top producing real estate practitioners emerged, showcasing the resilience and persistence of Hispanic homebuyers, which continues to elevate Hispanic homeownership in America.

HOMEOWNERSHIP RATES CONTINUE TO RISE

Hispanic homeownership rates have experienced steady growth over the past eight years, reaching 48.6 percent. In 2022, Latinos added a net total of 349,000 homeowner households, one of the largest single-year gains for Latinos in the past 10 years.¹ Since 2014, when homeownership rates among Latinos began increasing following the Great Recession, 2.3 million net new Hispanic homeowner households had been added to the market, accounting for 24.4 percent of overall homeownership growth. Today, there are 9.2 million Hispanic homeowner households.²



SOURCE: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey (2022)

LATINOS ARE RAPIDLY FORMING NEW HOUSEHOLDS

In 2022, Latinos added 628,000 new households, the largest growth in over a decade, and more than double that of non-Hispanic White households.³ Latinos accounted for 38.7 percent of all household

formations last year. This is in contrast to the two years prior when an unexpected boom in non-Hispanic White household formations nearly doubled that of Latino households.⁴ However, this shift in recent trends was expected, as the relative youth and growing population of the Latino community would add to new household formations.

LATINOS ARE YOUNG AND BUYING HOMES AT A YOUNGER AGE

Latinos are young, with a median age of 30, eight years younger than the median age of the general population.⁵ Latinos also trend younger as homeowners. According to Home Mortgage Disclosure Act (HMDA) data, most (70.6 percent) Latinos who purchased a home with a mortgage in 2021 were under the age of 45, compared to 63.9 percent of the general population, and 61.5 percent of non-Hispanic White buyers. Additionally, Latinos boast the highest share of homebuyers under the age of 25.⁶

HOMEOWNERSHIP GAINS DESPITE AFFORDABILITY CHALLENGES

Home price appreciation has reached unprecedented levels, hitting a new record high of 20.1 percent as of April 2022, the largest year-over-year price increase in decades. Over the last 10 years, the national home price index has more than doubled. While rising interest rates have tempered price gains toward the end of 2022, double-digit

“In Spanish, ‘bienes raíces’ means a property that has roots. For a Latino family, a house is a place where family builds its roots. Buying a house is an emotional decision because their home is where they see their family grow.”

Jona Gamboa,
Gamboa Real Estate Group,
Midvale, UT

home price appreciation continued across multiple states, including those that are more affordable and are home to large Latino populations. Florida, New Jersey, and Texas, home to a combined 19.6 million Latinos, continued to see some of the highest growth.⁷

LOW HOUSING INVENTORY MEANS FEWER HOMES FOR SALE

The lack of housing for sale drives affordability challenges. In January 2022, there were fewer existing homes available for sale than at any point since the late 1990s, down 17.5 percent from the record low set a year prior.⁸ The lack of housing supply is compounded by a decade-long shortfall of new construction, which fell dramatically after the Great Recession and has yet to fully recover. Additionally, more affordable homes have seen the steepest decline. According to realtor.com®, 70.5 percent of homes on the market had a list price below \$350,000 in July 2015, compared to 38.5 percent in October 2022.⁹

A RISE IN INTEREST RATES SHIFTED THE MARKET

In early January of 2022, the average U.S. 30-year fixed rate mortgage was 3.22 percent. By April, average rates reached 5 percent and by October, over 7 percent. While a 7 percent interest rate is not the highest the U.S. has seen, the average 30-year fixed rate hasn't been over 7 percent since 2002.¹⁰ 2022 marked the fastest interest rate increase in history. While the rapid rise in interest rates had a cooling effect on the overheated housing market, it also created new barriers to affordability.

HIGHER INTEREST RATES MEAN LESS PURCHASING POWER

A rise in interest rates from 3 percent to 7 percent translates into a purchasing power loss of

30 percent.¹¹ This is visible across nearly every market. Despite a home's purchase price, the rise in interest rates dramatically increased monthly mortgage payments, even in markets that experienced price reductions. In each of the markets that experienced a drop in list prices between 2021 and 2022, monthly mortgage payments increased by at least 46 percent.¹²

GROWING SHARE OF MORTGAGE-READY LATINOS

As of 2022, there are 7.9 million mortgage-ready Latinos aged 45 and under and 2.8 million who are near mortgage-ready. According to Freddie Mac, 33 percent of Latinos aged 45 and under have the credit characteristics to qualify for a mortgage. Among those who don't already have a mortgage, the share of mortgage-ready Latinos

increases to 39 percent. Latinos have the largest near mortgage-ready population of any racial or ethnic group.¹³

TOP 25 OPPORTUNITY MARKETS FOR MORTGAGE-READY LATINOS

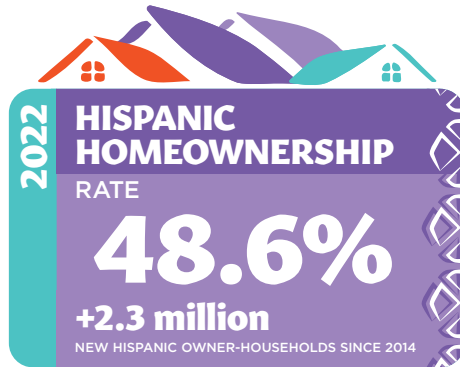
The greatest opportunity for Latino homeownership growth exists in markets that have mortgage-ready Latinos and adequate affordability. Freddie Mac and the NAHREP have identified the top 25 markets with the most mortgage-ready Latinos aged 45 and under, ranked by share of those who can afford median-priced homes. According to this ranking, McAllen, Texas offers the highest opportunity, followed by the Brownsville and El Paso, Texas metropolitan statistical areas (MSA).

CONCLUSION

Affordability challenges have made homeownership attainment more difficult in 2022, particularly in higher-cost markets. While Latinos tend to be concentrated in larger cities and coastal markets where home prices are high, the adoption of creative strategies to combat the tight housing market, such as pooling economic resources or relocating to more affordable areas enabled them to make homeownership gains. To this point, Hispanic homeownership also saw substantial gains in Texas and Florida, and more recently, Latinos have demonstrated an inclination to migrate to midwestern states, which have traditionally seen lower Latino populations. Real Estate practitioners cite the willingness to make sacrifices and get creative as what distinguishes Latinos from other demographics, allowing them to remain resilient despite challenges. However, encouraging housing production, reducing development costs, and investing in special purpose credit programs to help thousands of new homeowners qualify for mortgages and purchase their first home will be key to preserving homeownership growth. Given their youth, work ethic, and enthusiasm for homeownership, the country will continue to rely on Latinos to drive both homeownership rates and economic growth.



SECTION 1: HISPANIC HOMEOWNERSHIP TRENDS



SOURCE: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey (2022)

HOMEOWNERSHIP RATES CONTINUES TO RISE

In 2022, the Hispanic homeownership rate reached 48.6 percent. The 0.2 percentage point increase from the year prior, added 349,000 net new homeowner-households, posting one of the largest single-year gains for Latinos in the past 10 years.¹⁴ Hispanic homeownership rates have experienced steady growth for the past eight years. Since 2014, when the Latino homeownership rate first increased following the Great Recession, 2.3 million net new

Hispanic homeowner-households have been added to the market, accounting for 24.4 percent of overall homeownership growth. Today, there are 9.2 million Hispanic homeowner-households.¹⁵

The homeownership gain observed in 2022 occurred against the backdrop of record-breaking affordability challenges and the largest household formation gain for Latinos in ten years. The rapid increase in Latino household formations meant that for homeownership rates to rise, they would have to do so at an even greater rate, making these gains even more impressive. Year-over-year home price appreciation hit new highs in March 2022, shortly before interest rates increased faster than they'd ever done so in the history of the housing market, and high inflation put greater burdens on consumers.

While these pressures made it more difficult for Latino homebuyers to buy, particularly first-time homebuyers, the resiliency remains. When asked if affordability challenges created

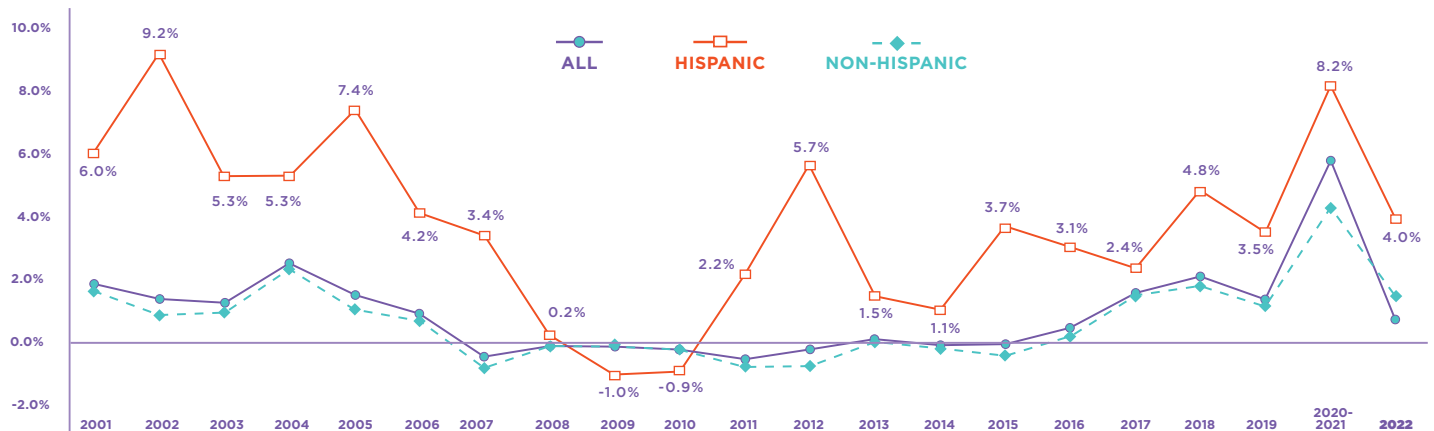
insurmountable barriers for their Latino clients in 2022, every single participant in NAHREP's Top Real Estate Practitioners Study said that despite these challenges, most of their Latino clients found a way to buy a home, emphasizing their enthusiasm for homeownership.

NON-WHITE HOUSEHOLDS ARE DRIVING HOMEOWNERSHIP GROWTH

The majority of homeownership growth since the Great Recession has been driven by non-White households. In 2022, homeownership rates for minority households reached 50.0 percent. Since 2014, non-White households have accounted for more than half (54.6 percent) of overall U.S. homeownership growth.¹⁶ These trends are likely to continue. As predicted by the Urban Institute in 2021, minority households are projected to contribute all of the homeownership growth between 2020 and 2040, 70 percent of which is expected to come from Latino households.¹⁷

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

PERCENT CHANGES IN THE GROWTH OF OWNER HOUSEHOLDS IN THE U.S. FROM 2000-2022



SOURCE: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey (2022)

¹⁴ NAHREP utilizes the U.S. Census Bureau Current Population Survey/Housing Vacancy Survey (CPS/HVS) for determining the national annual Hispanic homeownership rate. Alternatively, the U.S. Census Bureau American Community Survey (ACS) 1-Year estimates most recent data reflects a Hispanic homeownership rate of 50.6 percent in 2021, the most recent data available. While both of these data sets are appropriate, NAHREP will continue to use the CPS/HVS in order to maintain consistency of data analysis and reflect the timeliest data.

INCREASE IN HOUSING DEMAND

Latinos continue forming more new households than any other demographic group. In 2022, Latinos added 628,000 new households, the largest growth in over a decade, and more than double that of non-Hispanic White households. Latinos accounted for 38.7 percent of all household formations last year. This is in contrast to the two years prior when an unexpected boom in non-Hispanic White household formations nearly doubled that of Latino households.¹⁸ However, this shift in recent trends was expected, as the relative youth and growing population of the Latino community would add to new household formations.

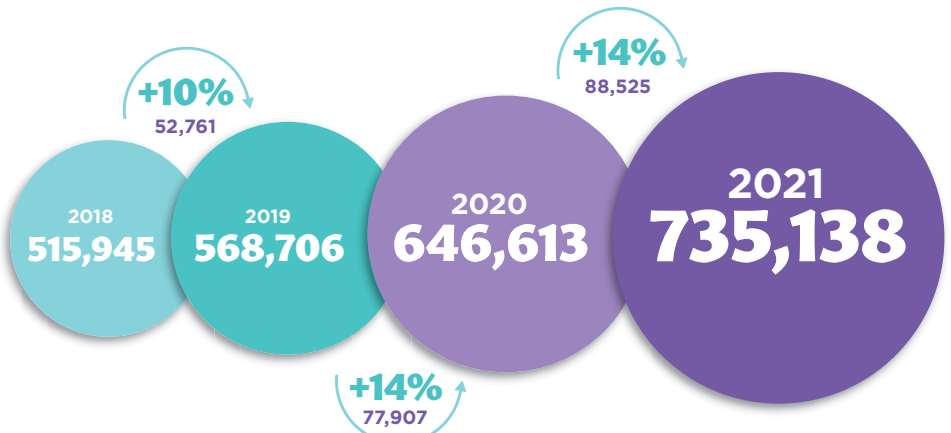
HMDA: A LOOK AT LATINO HOME FINANCING TRENDS

According to Home Mortgage Disclosure Act (HMDA) data, Latinos have posted significant year-over-year increases in home purchase originations. Since the Consumer Financial Protection Bureau (CFPB)

started collecting ethnicity data in 2018, Latinos have increased their home purchase rate by at least 10 percent annually. In 2021, the most recent data available showed that Latinos purchased more than 735,000 homes with a mortgage, an increase of 42.5 percent from 2018. This figure doubled the general population's growth rate, which only increased by 20.7 percent during that same period.¹⁹

GROWTH IN LATINO HOME PURCHASE ORIGINATIONS

2018 - 2021



SOURCE: Home Mortgage Disclosure Act (HMDA) data, calculations made in HMDAVision®

THE BARRERAS FAMILY
REALTOR: LETICIA VU



LATINOS ARE BUYING HOMES YOUNGER

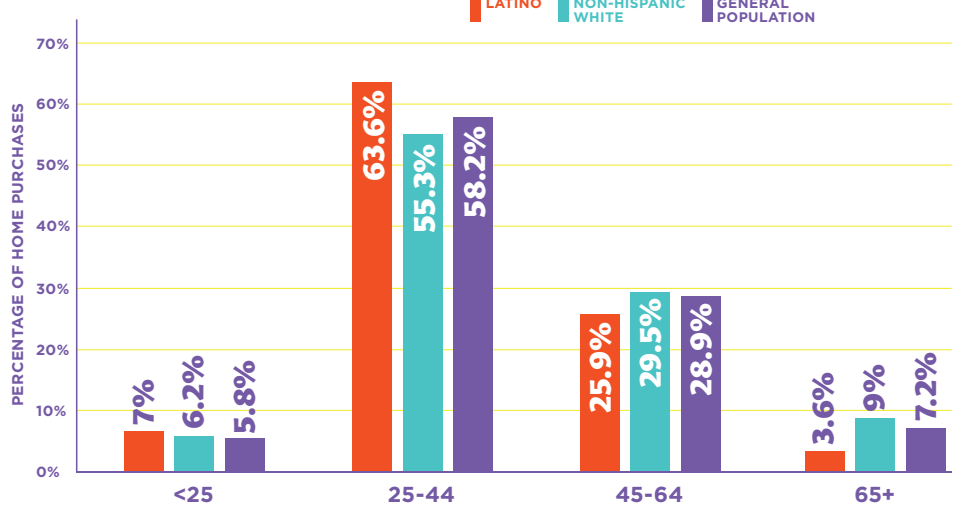
On average, Latinos buy homes at a younger age than the general population and their non-Hispanic White counterparts. Most (70.6 percent) Latinos who purchased a home in 2021 were under the age of 45, compared to 63.9 percent of the general population and 61.5 percent of non-Hispanic White buyers.²⁰ The share of Latino buyers under 45 has risen slightly since pre-pandemic levels, increasing by 1.5 percentage points from 2018.²¹

Housing costs have led to an increase in multigenerational living in recent years, as Latinos continue to be among the most likely to live in multigenerational households.²² Many young Latinos are purchasing homes to live in with their parents. Today, nearly a third (31.7 percent) of Latino households are multigenerational, the vast majority include two adjacent adult generations, such as parents living with their adult children.²³ This trend may be increasing. In 2022, 7 out of 25 participants in NAHREP’s Top Real Estate Practitioners Study indicated an increase in multigenerational buyers last year, while 19 out of 25 reported an increase in co-borrowing, particularly among family members.

“Despite affordability challenges, the resiliency is there. People are able to make it happen, with persistence. Parents are adding their kids who are working and living in their households as co-signers. It’s a team effort and Hispanics are pretty united when it comes to that. There’s a lot of creativity in that way, where the family members get together and co-sign for the mom and the dad, and vice versa. Since they are living in the same household, they are able to do that.”

Veronica Galaviz,
Verbode, Oklahoma City, OK

HOME PURCHASE ORIGINATIONS BY AGE AND ETHNICITY



SOURCE: Home Mortgage Disclosure Act (HMDA) data, calculations made in HMDAVision®

LATINOS MORE READILY RELY ON FHA FINANCING

Latinos are still more likely to use FHA financing than both the general population and their non-Hispanic White counterparts. In 2021, Latinos were twice as likely to finance their home purchase through FHA over other loan products. This may be due in part to its accessibility, as Latinos were 66 percent more likely to be denied conventional financing than their non-Latino counterparts that year. Comparatively, Latinos were only 4 percent more likely to be denied purchase financing through FHA.²⁴

While the share of FHA purchase transactions trended down slightly in 2021, it was likely only a consequence of the highly competitive housing market. According to NAHREP’s Top Real Estate Practitioners study, buyers in 2021 and the first half of 2022 faced steep competitive challenges when using FHA financing, a trend that began shifting in June of 2022 after interest rates rose. While higher interest rates exacerbated affordability challenges, for some borrowers, the increase in rates tempered competition, enabling more buyers to become homeowners.

“With big competition during the first 6 months of the year, it was really hard to get an FHA offer accepted. We would try to get a conventional loan, but obviously, not everyone can qualify. After the first 6 months, we were able to find a house for my FHA buyers as the market declined.”

Luis Coronel,
Coronel Realty, Indianapolis, IN

LATINOS ARE FINANCING INVESTMENT PROPERTIES AT AN INCREASING RATE

In 2021, Latinos financed over 33,000 investment property purchases. This figure increased by 57.1 percent from 2018, the second highest of any demographic, far outpacing the overall market, which saw a 26.7 percent increase. Over the last four years, most (88 percent) of the net growth in investment properties purchased with a mortgage came from non-White groups. Since 2018, non-Hispanic Asian investment purchases have grown by 60.0 percent and non-Hispanic Black investment purchases increased by 56.0 percent.²⁵

DENIAL RATES: LATINOS ARE MORE MORTGAGE-READY

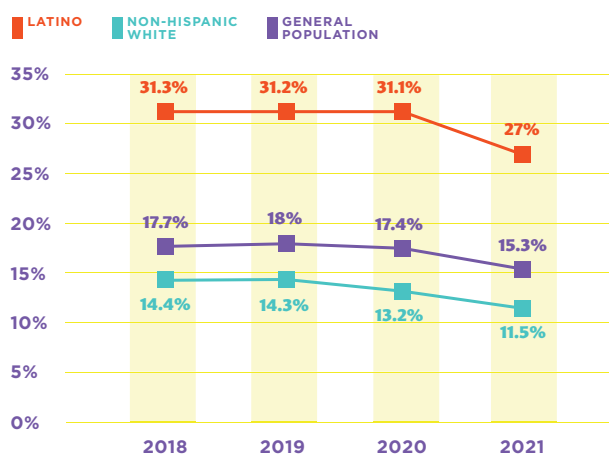
While there is still a stark discrepancy between denial rates for Latinos and their non-Hispanic counterparts, the gap is narrowing. In 2021, Latinos were still 47 percent more likely to be denied financing for a home purchase than non-Hispanic applicants, however, this figure dropped from 58 percent in 2018. Debt-to-income (DTI) ratios were the primary reason Latinos were denied financing in 2021, a total of 23.8 percent to be exact. While DTI ratios have remained a challenge, the share of lenders reporting credit quality as the main denial reason for Latino applicants has dropped from 17.4 percent in 2018 to 14.9 percent in 2021.²⁶ Similarly, 15 of 25 participants in NAHREP's Top Real Estate Practitioner Study highlighted that Latinos are becoming more familiar with credit score building than before.

"I would say Latinos are more mortgage ready. A lot of them have a good, stable income. Their credit is better. You know that they will be able to qualify. Income has never really been much of an issue, but credit is getting better. The consumer is getting a lot more knowledgeable. I'm seeing people in the 700s, that wasn't too common in the past. I feel like they're just becoming more cautious as to what they need to do to prepare if they are looking to buy."

Juan Lopez,
Keller Williams Realty the
Marketplace, Las Vegas, NV

SHARE OF FHA HOME PURCHASE ORIGINATIONS

2018 - 2021



SOURCE: Home Mortgage Disclosure Act (HMDA) data, calculations made in HMDAVision®



THE GARZA FAMILY

2021 HISPANIC HOMEOWNERSHIP & ECONOMIC INDICATORS BY STATE

STATE	HISPANIC HOMEOWNERSHIP RATE	HISPANIC POPULATION RATE	HISPANIC UNEMPLOYMENT RATE	HISPANIC MEDIAN HOUSEHOLD INCOME
Alabama	49.3	4.7	1.5	\$44,747
Alaska	44.8	7.1	7.5	\$61,216
Arizona	59.4	32.3	5.7	\$59,561
Arkansas	53.2	8.2	3.4	\$51,613
California	45.6	40.2	7.9	\$70,081
Colorado	55.1	22.3	6.7	\$63,547
Connecticut	42.0	17.7	8.4	\$54,754
Delaware	54.5	10.1	4.8	\$56,472
District of Columbia	35.6	11.5	7.5	\$89,612
Florida	55.1	26.8	5.4	\$58,126
Georgia	54.2	10.0	2.6	\$59,633
Hawaii	45.9	11.1	8.1	\$75,809
Idaho	57.0	13.3	3.8	\$59,663
Illinois	57.5	18.0	6.9	\$65,075
Indiana	59.4	7.6	3.5	\$57,653
Iowa	56.6	6.6	4.9	\$52,082
Kansas	56.1	12.7	3.6	\$54,102
Kentucky	36.8	3.9	3.6	\$47,848
Louisiana	55.8	5.5	6.5	\$54,249
Maine	59.4	1.9	***	\$66,030
Maryland	55.9	11.1	5.1	\$81,032
Massachusetts	31.9	12.8	10.1	\$54,226
Michigan	62.6	5.6	7.1	\$57,617
Minnesota	56.6	5.8	4.7	\$64,102
Mississippi	52.2	3.2	***	\$42,941
Missouri	55.6	4.6	4.1	\$53,178
Montana	57.4	4.3	***	\$57,253
Nebraska	54.9	11.9	4.9	\$57,636
Nevada	52.5	29.9	6.6	\$62,401
New Hampshire	48.1	4.3	***	\$72,727
New Jersey	40.1	21.5	7.1	\$63,608
New Mexico	67.3	50.1	7.4	\$48,685
New York	28.6	19.5	9.5	\$55,245
North Carolina	51.7	10.1	5.6	\$53,880
North Dakota	27.2	4.1	***	\$51,546
Ohio	45.8	4.3	4.3	\$52,154
Oklahoma	53.6	11.7	5.2	\$50,990
Oregon	47.1	14.0	6.9	\$63,296
Pennsylvania	47.6	8.4	12.2	\$53,229
Puerto Rico	68.7	99.2	7.9*	\$22,190
Rhode Island	38.0	17.1	10.1	\$48,922
South Carolina	58.5	6.3	2.6	\$54,297
South Dakota	44.4	4.2	***	\$57,045
Tennessee	45.4	6.0	5.1	\$53,917
Texas	58.7	40.2	6.9	\$54,857
Utah	57.4	14.8	3.5	\$67,777
Vermont	66.0	2.0	***	\$83,641
Virginia	53.5	10.2	3.2	\$79,845
Washington	47.2	13.7	5.7	\$65,248
West Virginia	67.4	1.7	***	\$44,917
Wisconsin	45.4	7.5	5.2	\$53,186
Wyoming	53.7	10.6	8.2	\$47,780

SOURCE: U.S. Census Bureau, American Community Survey 1-Year Estimates (2021) and Bureau of Labor Statistics, Local Area Unemployment Statistics (2021)

***Note: Data for demographic groups is 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.

*Note: The BLS does not publish data associated with demographic characteristics of Puerto Rico. Given the Hispanic population of PR is 99.2%, a 7.9% overall unemployment average in 2021 is a close approximation of the Hispanic unemployment rate.



RANDY ALVAREZ AND KARLA PRIETO

SECTION 2: DEMOGRAPHICS

FACTORS IMPACTING HISPANIC HOMEOWNERSHIP

Demographic and economic factors including education, workforce participation, income, and household composition, are strong drivers of homeownership readiness. As the Latino population grows, so does the number of those in their prime homebuying years, who continue to have high workforce participation — the highest of any demographic for more than two decades. Latino incomes and educational attainment also continue to rise. Additionally, Latinos are more likely to live in multigenerational households, where the pooling of economic resources makes homeownership more attainable in a market impacted by affordability challenges.

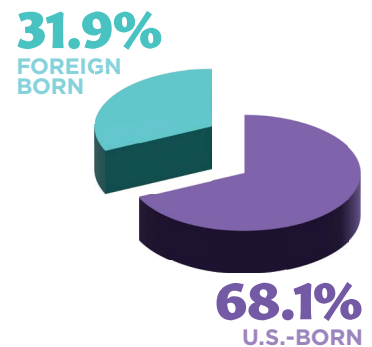
62.6 MILLION Latinos in the U.S.
18.9% of the U.S. population²⁷

RAPID POPULATION GROWTH

Latinos account for more than half (53.8 percent) of U.S. population growth over the last 10 years.²⁸

U.S.-BORN AND FOREIGN-BORN

BREAKDOWN OF U.S. AND FOREIGN-BORN LATINOS



The majority of young Latinos are U.S.-born. 94.3 percent of Latinos under the age of 18 are U.S.-born.²⁹

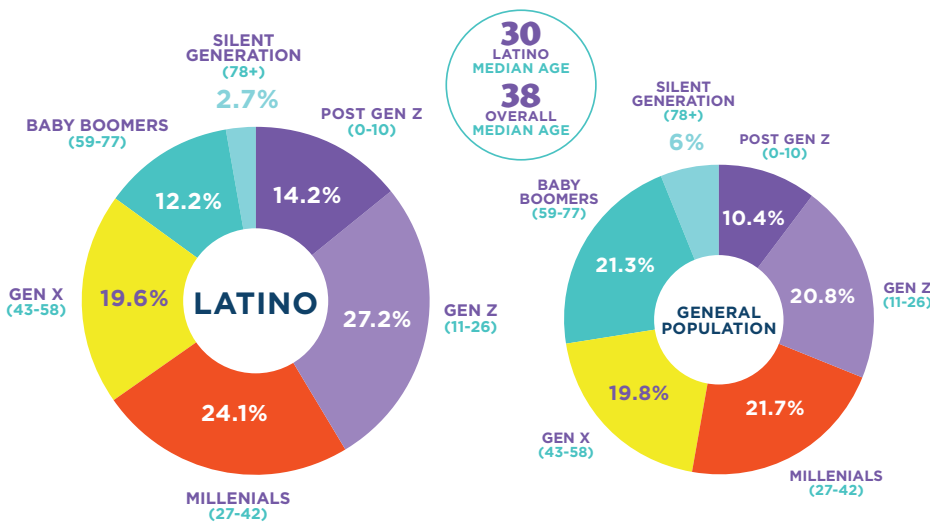
Approximately 1 million immigrants arrived in the U.S., accounting for nearly 86 percent of overall population growth in 2022.³⁰

LATINOS LIVE IN MULTIGENERATIONAL HOUSEHOLDS

31.7% of Latino households are multigenerational, just over 5.8 million households.

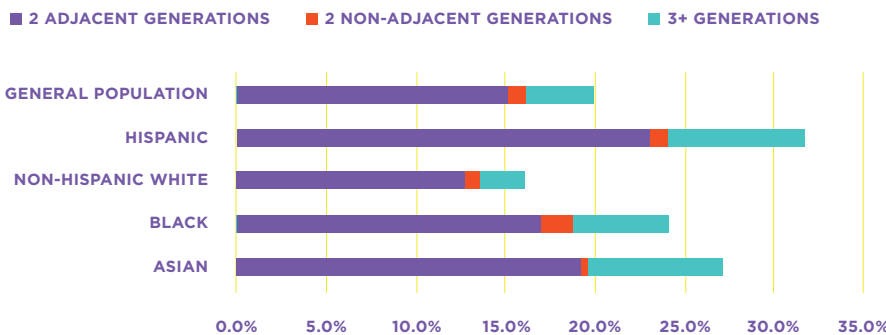
Latinos are more likely than any demographic group to take advantage of multigenerational living. This is particularly true among two adjacent adult generations, such as parents and their adult children. Since 2017, there has been an increase of more than 800,000 Latino households that consist of two adjacent adult generations living together.³¹

BREAKDOWN OF THE LATINO POPULATION BY GENERATION



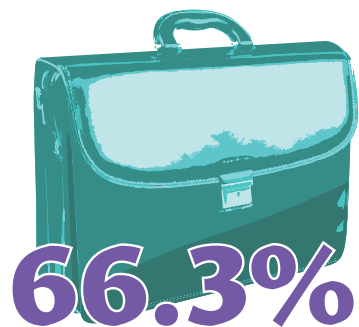
SOURCE: U.S. Census Bureau, American Community Survey 1-Year Estimates (2021) from IPUMS USA, calculations made in CensusVision®

MULTIGENERATIONAL HOUSEHOLDS BY RACE AND ETHNICITY 2021



SOURCE: U.S. Census Bureau, American Community Survey 1-Year Estimates (2021), calculations made in CensusVision®

LATINOS HAVE THE HIGHEST LABOR FORCE PARTICIPATION RATE



LATINO LABOR FORCE PARTICIPATION RATE ³²

Latinos have held the highest labor force participation rate of any demographic for the last two decades, and are responsible for 65.5 percent of labor force growth over the last 10 years.

SOURCE: Bureau of Labor Statistics. (2023). (Unadj) Labor Force Participation Rate - Hispanic or Latino. LNU01300009.

Latinos added approximately 1.2 million potential workers to the U.S. labor force last year. ³³

Latinos have held the highest labor force participation rate among any demographic for the last two decades, and are responsible for 65.5 percent of labor force growth over the last decade. ³⁴



13% of all U.S. small businesses are Latino-owned

LATINOS ARE SMALL BUSINESS OWNERS

Latinos are 1.7 times more likely to start a business than other demographic groups. ³⁵

INCOME GROWTH OUTPACING OVERALL U.S. GROWTH



19.7%

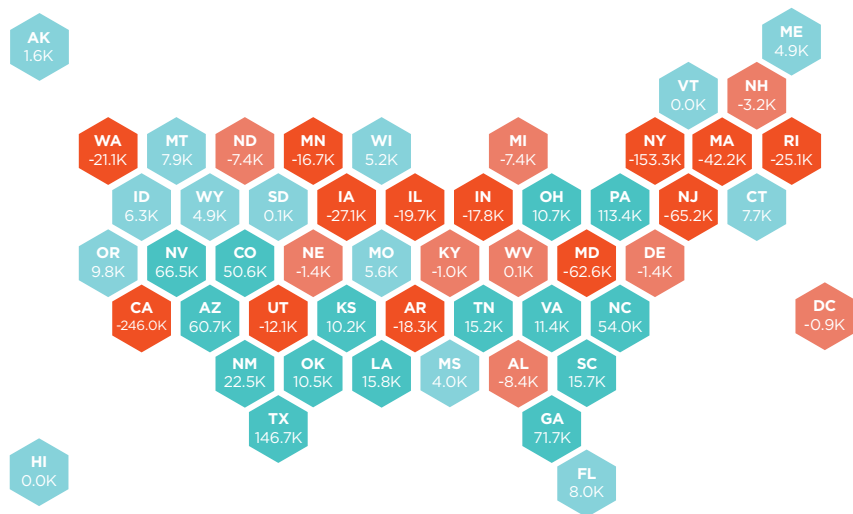
of Latinos have a Bachelor's degree or higher

While Latinos have among the lowest education attainment of all demographics, education levels are rising. Latino college enrollment has more than doubled in the last two decades.

Today, Latinos make up 1 in 5 students enrolled in colleges or trade schools. ³⁶

LATINO NET MIGRATION

(2020-2022)



SOURCE: Freddie Mac calculations using U.S. Census Bureau, Current Population Survey, 2018 - 2022 Annual Social and Economic Supplement (CPS ASEC).

The pandemic has accelerated net migration from higher-cost states, such as California and several others in the Northeast while shifting migration patterns in others. For example, Pennsylvania and Georgia, two states that saw the highest influx of Latinos during the pandemic were ranked as two of the highest net out-migration states with a combined loss of 88,900 between 2018 and 2020. Overall, Texas has consistently topped the list for the highest Latino net migration. ³⁸

INCOME GROWTH OUTPACING OVERALL U.S. GROWTH



\$60,566

Latino median household income

The Latino median household income has grown by 49.9 percent over the last ten years, outpacing the overall income growth of 35.7 percent during that same period.

Lower earnings impact homebuyer purchasing power, especially in high-priced housing markets. The median household income among Non-Hispanic White households is \$75,412, 24.5 percent more than Latino households. ³⁷

SECTION 3: BARRIERS AND OPPORTUNITIES TO HOMEOWNERSHIP

While Latino homeownership growth has continued over the past decade, key market barriers threaten future growth. Housing affordability has reached its lowest point in history since the Great Recession.³⁹ Housing supply shortages, housing underproduction, rising interest rates, and high inflation, are pushing homeownership opportunities out of reach for many. This is particularly true for first-time homebuyers, unable to take advantage of rising equity over the last several years. Addressing these barriers will create new opportunities for homeownership growth while helping the U.S. economy flourish.

BARRIERS

HOME PRICE APPRECIATION

Since the start of the pandemic, home price appreciation has reached unprecedented levels. According to CoreLogic’s national home price index, year-over-year price appreciation hit a new record high of 20.1 percent in April of 2022, the largest price increase in decades. While home prices have been slowly rising since the end of the Great Recession, the most

dramatic increases occurred during the pandemic. In 2021 and 2022, nearly every month saw double-digit year-over-year increases. Looking back at the last 10 years, the national home price index has more than doubled.⁴⁰

Due to shifting market conditions, year-over-year prices started to temper in the fall of 2022, with the national average falling to 8.6 percent in November. However, as states continued to see year-over-year growth, double-digit home price appreciation continued in 16 states.

TOP 5 STATES WITH THE HIGHEST YEAR-OVER-YEAR HOME PRICE APPRECIATION

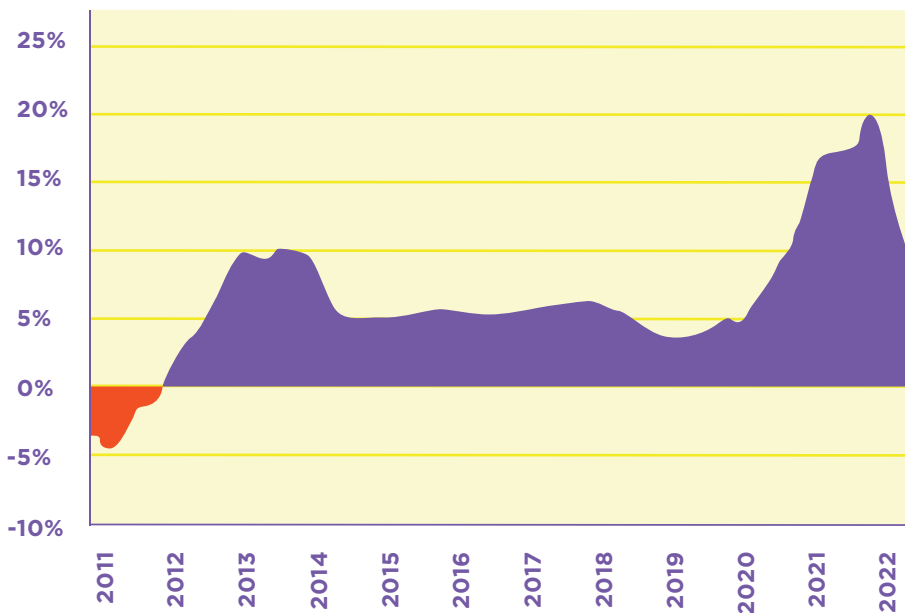
AFTER THE MARKET COOLED IN NOVEMBER 2022

1. FLORIDA	18.0%
2. SOUTH CAROLINA	13.9%
3. GEORGIA	13.6%
4. NORTH CAROLINA	13.1%
5. TENNESSEE	12.9%

SOURCE: CoreLogic Home Price Index, November 2022

NATIONAL HOME PRICE APPRECIATION INDEX

MONTHLY YEAR-OVER-YEAR GROWTH 2011 - 2022



SOURCE: CoreLogic Home Price Index, January 2011 - November 2022

Most of these states have traditionally been more affordable, while several have dense Latino populations. For example, Florida, home to 5.8 million Latinos, saw the highest year-over-year growth in November of 2022 at 18.0 percent. Additionally, New Jersey and Texas, home to a combined 13.8 million Latinos, both made the top 10.⁴¹



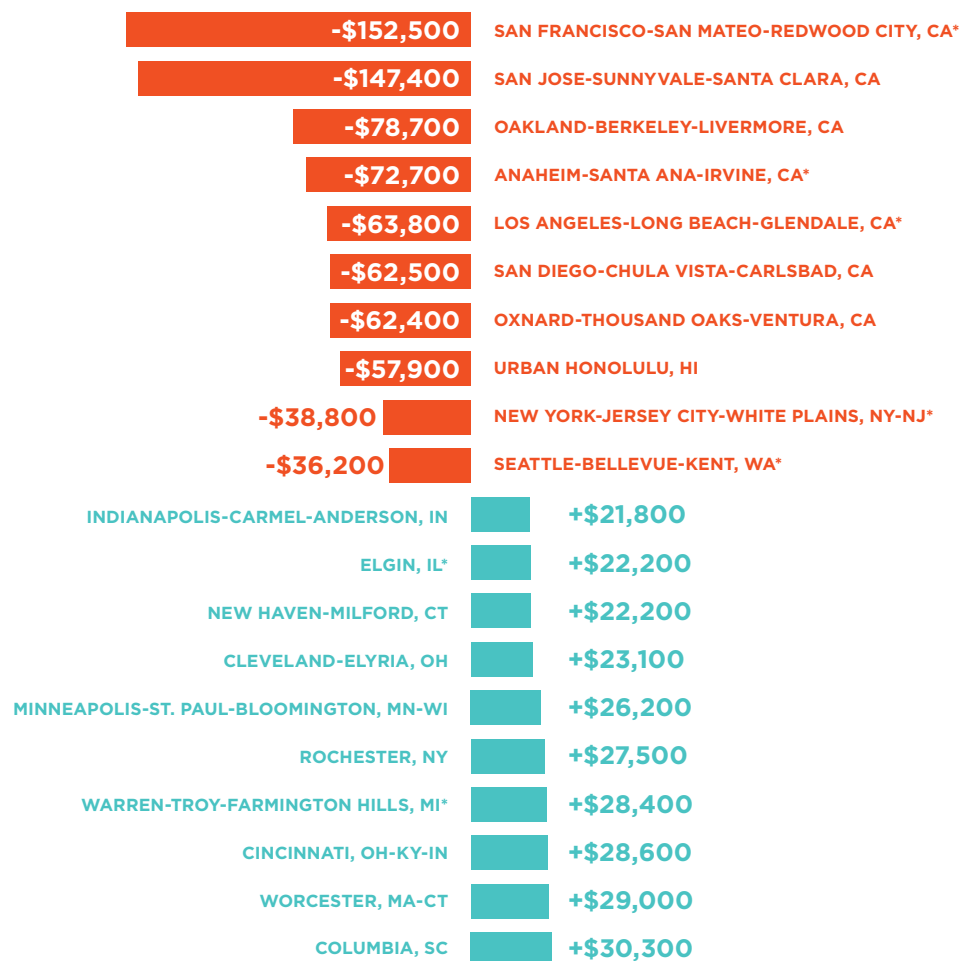
AFFORDABILITY CHALLENGES PRICE OUT MIDDLE-INCOME FAMILIES

The rapid rise in home prices has made it difficult for lower- and middle-income families to afford to buy a home. In Q3 of 2022, home prices rose on a year-over-year basis in 98 percent of markets across the country.⁴² Furthermore, an analysis by the Urban Institute substantiates that 80 percent of properties on the market today are unaffordable to families earning median household incomes or less. This is in stark contrast to 2016 when 50 percent of for-sale properties were considered affordable for middle-income families.⁴³

Some of the most affordable markets for Latino homebuyers are in the Midwest and markets that haven't traditionally had large Latino populations on the East Coast. Columbia, South Carolina was considered the most affordable, where the median Hispanic household income was over \$30,000 higher than the income needed to afford the median-priced home in that market. Conversely, California, the state with the largest Latino population, is home to some of the least affordable markets. When comparing the median Hispanic household income in metropolitan statistical areas (MSA) to the income needed to afford a median-priced home, the San Francisco market was the least affordable, with a gap of more than \$150,000.⁴⁴

TOP 10 MOST AND LEAST AFFORDABLE MARKETS FOR LATINOS IN 2022

RANKED BY THE DIFFERENCE BETWEEN MEDIAN HISPANIC HOUSEHOLD INCOMES IN THE MARKET AND THE INCOME NEEDED TO AFFORD THE MEDIAN PRICED HOME.



*FHFA Metropolitan Divisions include surrounding areas.

Markets with fewer than 50,000 Latino residents were excluded from rankings.

SOURCE: Calculations made using U.S. Census Bureau, 2021 American Community Survey 1-Year Estimates from IPUMS USA, FHFA Purchase-Only Housing Price Index (latest available data at the MSA level), and Freddie Mac's Primary Mortgage Market Survey for the corresponding period, in CensusVision™

FEWER HOMES FOR SALE

One of the main drivers of affordability challenges is the lack of housing for sale. There are insufficient existing homes and new construction to meet demand. According to the Harvard Joint Center for Housing Studies, there were fewer existing homes available for sale in January 2022 than at any point since the late 1990s, down 17.5 percent from the record low a year prior.⁴⁵ The lack of housing supply is compounded by a decade-long shortfall of new construction.

For nearly four decades leading up to the Great Recession, the U.S. averaged 1.5 million new housing completions annually, with a recent peak of nearly 2 million units completed in 2006. Since then, new home construction fell dramatically, with annual averages dropping below one million during the 10 years following the housing crisis. While new home construction has been growing in recent years, it has yet to fully recover and is unable to keep pace with growing demand.⁴⁶

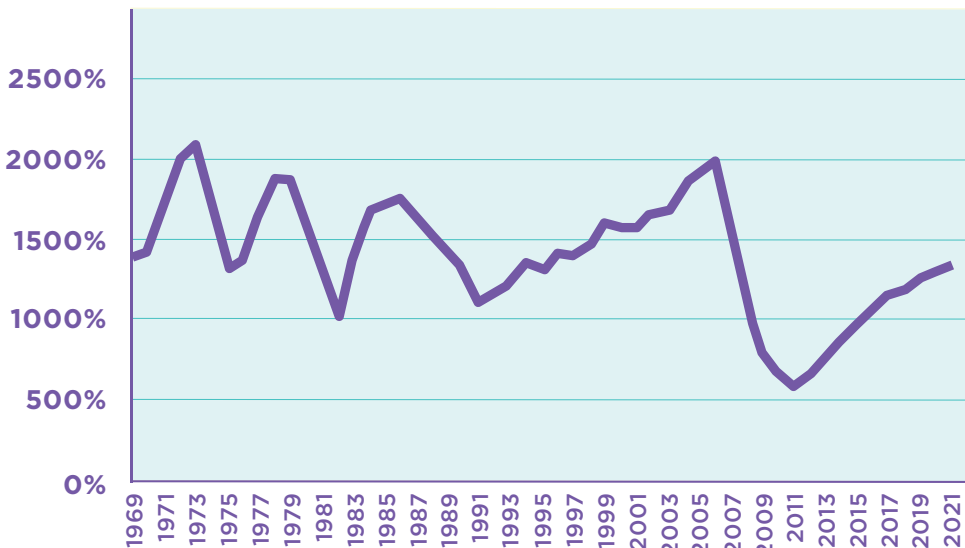
While there has been a decline overall in homes for sale in every price range, more affordable homes have seen the steepest decline. According to realtor.com®, 70.5 percent of homes on the market had a list price below \$350,000 in July 2015, compared to 38.5 percent in October 2022. As of December 2022, the national median listing price was \$400,000.⁴⁷

A RISE IN INTEREST RATES SHIFTED THE MARKET

In response to rising inflation in the aftermath of the pandemic, in 2022, the Federal Reserve increased interest rates at an unprecedented rate. According to Freddie Mac’s Primary Mortgage Market Survey, in early January of 2022, the average U.S. 30-year fixed rate mortgage was 3.22 percent. By April, average rates reached 5 percent and by October, over 7 percent. While a 7 percent interest rate is not the highest the U.S. has ever seen, it’s the highest the average 30-year fixed rate has reached since 2002.⁴⁸ Last year marked the fastest interest rate increase in history.

The rapid rise in interest rates had a cooling effect on the overheated housing market. In 2021 and early 2022, historically low interest rates and low housing inventory made market competition exceptionally steep. Across the country, homes on the market received multiple offers, forcing buyers into bidding wars, paying far over asking price, often waiving inspection and appraisal contingencies. This was particularly difficult for first-time homebuyers using low down payment financing and buyers unable to cover appraisal gaps out of pocket. The rise in interest rates shifted the market, reducing competition and tempering prices. Nearly half, 11 out of 25 participants, in NAHREP’s Top Real Estate Practitioners Survey said their first-time buyers had a harder time getting their offers accepted in the first half of 2022 than in the second half. Yet, as rising interest rates have slowed home price growth, they have created new barriers to affordability.

NEW RESIDENTIAL CONSTRUCTION TOTAL HOUSING COMPLETIONS 1969 - 2022



SOURCE: U.S. Census Bureau and U.S. Department of Housing and Urban Development, New Residential Construction, 1969 - 2022.

“The market has changed dramatically since the beginning of the year. The rates kept changing from week to week. That was the hardest part for my Latino buyers because they didn’t understand. We already had a hard time finding a house because of competition and the market, and then the next week comes in and the interest rates are 1% higher. Now we can’t even look at the same houses we were looking at before. We had to find houses that were less and less expensive, and that’s hard on my first-time home buyers.”

Susy Esquivel,
Allied Realty Lexington, KY

HIGHER INTEREST RATES MEAN LESS PURCHASING POWER

The rise in interest rates has greatly reduced purchasing power. According to CoreLogic, a rise in interest rates from 3 to 7 percent translates into a 30 percent purchasing power loss.⁴⁹ This is visible across nearly every market. The rise in interest rates has caused a dramatic increase in monthly mortgage payments, regardless of purchase price.

According to realtor.com[®] calculations, monthly mortgage payments increased year-over-year in 148 out of the 150 most populated metropolitan statistical areas (MSAs), regardless of the market effect on home prices.^c In fact, all 22 markets that experienced a decrease in list prices between 2021 and 2022, saw monthly mortgage payments increase by at least 46 percent. This was most dramatic in high-cost markets like Santa Maria-Santa Barbara, CA, which saw list prices drop nearly 11 percent, yet still experienced a 64 percent increase in monthly mortgage payments.⁵⁰

YEAR-OVER-YEAR CHANGE IN MONTHLY MORTGAGE PAYMENTS TOP 10 MOST POPULOUS LATINO MARKETS

MARKET	YOY CHANGE IN LIST PRICE	YOY CHANGE IN MONTHLY MORTGAGE PAYMENT
PHOENIX-MESA-CHANDLER, AZ	-2.4%	49%
LOS ANGELES-LONG BEACH-ANAHEIM, CA	-1.8%	49%
HOUSTON-THE WOODLANDS-SUGAR LAND, TX	0.0%	46%
RIVERSIDE-SAN BERNARDINO-ONTARIO, CA	1.6%	44%
CHICAGO-NAPERVILLE-ELGIN, IL-IN-WI	2.4%	42%
SAN ANTONIO-NEW BRAUNFELS, TX	3.5%	41%
NEW YORK-NEWARK-JERSEY CITY, NY-NJ-PA	6.5%	37%
DALLS-FORT WORTH-ARLINGTON, TX	8.8%	34%
SAN DIEGO-CHULA VISTA-CARLSBAD, CA	9.6%	33%
MIAMI-FORT LAUDERDALE-POPANO BEACH, FL	20.4%	21%

SOURCE: realtor.com[®] calculations based on median list prices for each metropolitan statistical area as of December 2022, using a 20% down payment, a 30-year amortization period, and the average of the weekly mortgage rates as published by Freddie Mac in December 2021 and December 2022. Mortgage payments exclude property taxes and insurance.

Some of the most populous Latino markets also experienced some of the highest increases in monthly mortgage payments. Phoenix, Los Angeles, Houston, Riverside, Chicago, and San Antonio MSAs saw an increase in monthly mortgage payments of at least 40 percent.⁵¹

STUDENT LOAN DEBT

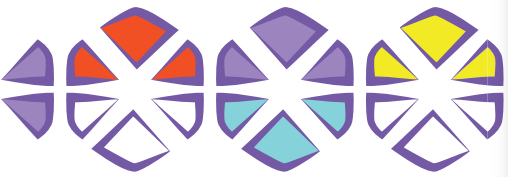
In addition to other financial pressures, the student loan debt crisis represents a significant barrier to homeownership. Students carrying large amounts of debt are less likely to qualify for and afford to carry a mortgage. A study by the Federal Reserve Board found that every \$1000 increase in student loan debt for public college students in their mid-20s lowers homeownership rates by 1.8 percentage points, equal to a four-month delay in attaining homeownership.⁵²

While Latinos have seen a rise in educational attainment over the last several decades, their student loan debt has also increased. The majority of Latino students (72 percent) take out loans to attend college, with the median Latino borrower still owing 83 percent of their initial loan balance 12 years after starting their degree.⁵³

Several participants in NAHREP’s Top Real Estate Practitioners Study mentioned student loans as a rising barrier to advancing homeownership opportunities for young Latinos.

On the other hand, the rise in educational attainment among Latinos could lead to higher income thresholds, increasing Latino home purchasing power, a benefit in today’s high-priced market. In general, 42.1 percent of homeowner-occupied units have a bachelor’s degree or higher compared to 29.9 percent of renters.⁵⁴

^cMarket inventory data provided by realtor.com[®] consisted of median list prices for each metropolitan statistical area as of December 2022. The mortgage payment was calculated based on the median list price for the MSA, using a 20% down payment, a 30-year amortization period, and the average of the weekly mortgage rates published by Freddie Mac every Thursday in December 2021 and December 2022. Mortgage payments excluded property taxes and insurance.



A TALE OF TWO MARKETS

Real estate practitioners described the 2022 market in two parts: during the first half of the year, a sellers' market continued with steep competition and multiple offers. In the second half of the year, rising interest rates cooled the market, eroded purchasing power, and exacerbated affordability challenges.

Follow the mortgage interest rate trend line for 2022 below along with insights from NAHREP's Top Latino Real Estate Practitioners Study to uncover what Latino homebuyers experienced as the year progressed.

7.9 MILLION LATINOS
WERE CONSIDERED
MORTGAGE-READY
IN 2022.

LOW INVENTORY

"Last March there was very little inventory, and everything was above listing price. We had 48 offers that we made on behalf of one of our Hispanic clients, and they did not get a house."
- Michael Gomez, Hive Nashville, LLC, Nashville, TN

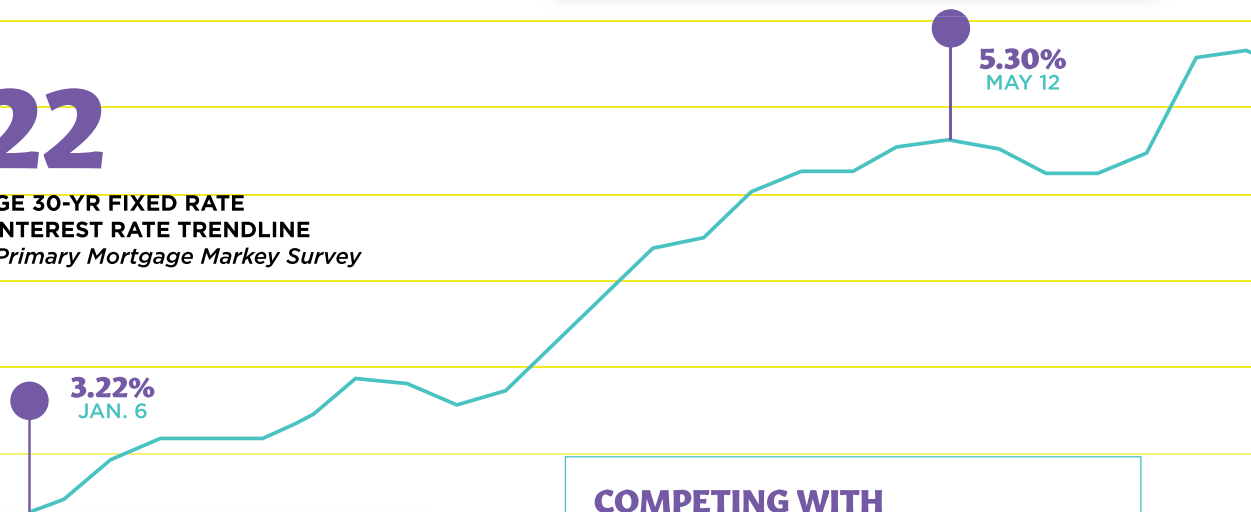
LATINOS ARE MORE MORTGAGE-READY

"Latinos are more mortgage ready. Latinos have made strides in income and are more educated in the home buying process. Rent has become extremely expensive and owning a home comes with great benefits such as building equity and security for the family. They don't want to rent anymore."
- Nidia Fromenta Peguero, Century 21 North East, Danvers, MA

LATINOS FORMED
628,000 NEW HOUSEHOLDS,
THE HIGHEST FOR LATINOS DURING THE LAST DECADE.

2022

2022 AVERAGE 30-YR FIXED RATE MORTGAGE INTEREST RATE TRENDLINE
Freddie Mac Primary Mortgage Market Survey



LATINOS WERE TWICE AS LIKELY TO USE FHA FINANCING THAN THE GENERAL POPULATION.

COMPETING WITH MULTIPLE OFFERS

"We still had to compete with multiple offers in the beginning of the year. Now we're competing with three or four other buyers, but we are not waiving all the contingencies like in the past."
- Claudia Cornejo, Fairfax Realty of Tysons, Herndon, VA

FHA SLIGHTLY MORE COMPETITIVE

"We have definitely seen an increase in FHA buyers being more competitive. In 2021, conventional was winning. In 2022, FHA became a lot more considerable. It was not the "cash is king" era anymore."
- Erika Robles, Keller Williams Realty, Hanford, CA

INFLATION

"The cost of materials rose the prices of homes. You had that big shock of the prices and of materials being so high. Then you have that fear of the interest rates going high."
- Salvador Gonzalez, RE/MAX Mi Casa, Chicago, IL

LATINOS ARE INVESTING

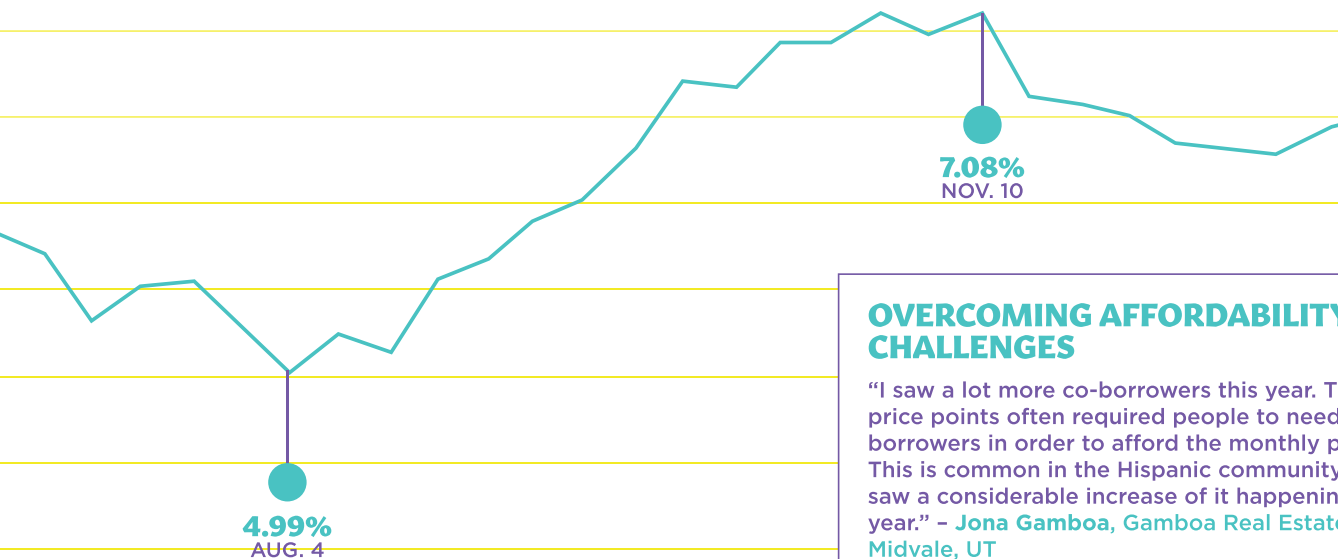
“What really drove the increase in investment properties was that people could not believe how much prices had increased. I had someone call me and say, “Hey, how can I get a second home because I have a son that’s 12, and if prices continue to increase, I would rather buy something, lease it out, and that when he’s a little older he could decide if he wants to live there or not.”” – **Maribel Saldivar**, Universal Realty, Fort Worth, TX

INTEREST RATE HIKES

“There were a ton of Latino homebuyers, but they were beat by investors or those with more available funds. In the past, you could take a slightly higher interest rate and get a credit from the lender to use towards closing costs. But with rates at 6, 7 percent, you can’t afford to increase the rate by another point or even half a point. You’re already priced out.”
– **Mauricio Perez Vasquez**, 24/7 Realty, Chula Vista, CA

21 OUT OF 25
REAL ESTATE PRACTITIONERS
SAW AN INCREASE IN INVESTMENT
PROPERTY PURCHASES FROM
THEIR LATINO BUYERS.

2022 MARKED THE FASTEST
INTEREST RATE INCREASE
IN HISTORY, REACHING OVER
7 PERCENT.



OVERCOMING AFFORDABILITY CHALLENGES

“I saw a lot more co-borrowers this year. The higher price points often required people to need more borrowers in order to afford the monthly payments. This is common in the Hispanic community but I saw a considerable increase of it happening this year.” – **Jona Gamboa**, Gamboa Real Estate Group, Midvale, UT

MANAGING EXPECTATIONS FOR FIRST-TIME HOMEBUYERS

“This year, the biggest trend was the decline in first time homebuyers. Affordability—there wasn’t anything in these first-time homebuyer price points. It was probably the hardest market for first-time buyers.” – **Julie Chavez**, Coldwell Banker Realty, Kennewick, WA

80% OF PROPERTIES
ON THE MARKET TODAY ARE
UNAFFORDABLE
TO FAMILIES EARNING THE MEDIAN
HOUSEHOLD INCOME OR LESS.

RELOCATING TO FIND AFFORDABLE ENTRY-LEVEL HOUSING

“Latino families decided to leave and buy in areas that are far from the places they are used to living in. They are sacrificing a bigger commute time, about 45 min. to an hour, just so they could find homes they could afford.”
– **Oscar Corrales**, The Insight Group, Raleigh, NC





THE PEREZ FAMILY

“I haven't seen [millennials] coming up as first-time home buyers, as we've seen before. The prices and the high interest rates are discouraging them. Some of them are not there yet as far as income, or because they have student loans, their income will probably not qualify.”

Grecia Berrios,
Correa Properties,
Houston, TX

INVESTOR IMPACT ON THE MARKET

Over the last several years, real estate investors have disproportionately swept up the limited housing inventory available, targeting affordable single-family properties. However, as interest rates rose, investor activity slowed. In Q3 of 2022, investor home purchases fell 30.2 percent nationally compared to Q3 of 2021, when investor activity reached record highs. This drop outpaced similar declines in home purchases overall.⁵⁵ While investor activity has tempered, purchases made by non-owner occupants remain high.

According to CoreLogic, in more than half of the top 100 largest metros in the country, at least a quarter (25 percent) of home sales in Q3 of 2022 went to investors. Investor purchases were highest in

markets that are considered more affordable. In McAllen and El Paso, Texas, two of the top three opportunity markets for mortgage-ready Latinos, 34 percent and 33 percent of their home sales went to investors, respectively.⁵⁶ Additionally, Latino-dense MSAs such as San Jose, Los Angeles, Phoenix, and Las Vegas all neared the top of the list of highest share investor purchases in Q3 of last year.

“One of the policy changes that would make the biggest difference for my Latino buyers is relieving student loans. Student loans are killing them. 10% of my buyers had student loans on their credit.”

Lourdes Moscoso,
Rudhil Companies, LLC,
Duluth, GA

OPPORTUNITIES

While the 2022 housing market presented several barriers to homeownership, Latinos managed to increase homeownership rates with a net gain of 349,000 homeowner households and 628,000 newly formed households.⁵⁷ Nearly every participant in NAHREP's Top Real Estate Practitioners Study mentioned the resilience of Latino buyers, their motivation, willingness to sacrifice, and overall grit that has led to nearly a decade of consistent homeownership growth.

As the Latino population continues to grow and expand its economic footprint, new opportunities to advance homeownership will arise. Latinos are more mortgage-ready than ever before and have the highest share of potential homebuyers who are near mortgage-ready. They are also young, educated, have rising incomes, and are just now aging into their prime homebuying years.

A CLOSER LOOK AT MORTGAGE-READY LATINOS

As of 2022, 7.9 million Latinos aged 45 and under were considered mortgage-ready and 2.8 million near mortgage-ready.^d According to Freddie Mac, 33 percent of Latinos aged 45 and under have the credit characteristics to qualify for a mortgage, a modest, yet noteworthy increase of one percentage point over the last year. However, when looking only at those who don't already have a mortgage, this number increases to 39 percent.⁵⁸ The number of mortgage-ready Latinos has nearly doubled over the last 10 years. These trends align with findings from NAHREP's Top Real Estate Practitioner Study, where 23 out of 25 participants said that their Latino clients were more mortgage-ready than they had been in the past.

Moreover, Latinos make up the largest share of near-mortgage-ready individuals of any racial or ethnic group, and there is an opportunity to improve their overall mortgage-readiness through financial education and counseling. Unfortunately, housing counseling and formal mortgage education programs are underutilized. 13 out of 25 participants in NAHREP's Top Real Estate Practitioners Survey said very few, if any, of their Latino buyers

“There is a lot of information out there now with social media and the internet. People just Google now and are able to find out everything that needs to be done in regards to obtaining a mortgage.”

Matias Rosales,
Realty ONE Group Gateway,
Yuma, AZ

took advantage of housing counseling unless it was required by their mortgage product. Social media was the primary way that NAHREP survey participants indicated their clients were accessing information about finances and the home buying process.

MEDIAN CREDIT SCORES ARE INCREASING

Credit scores play a critical role in qualifying for a mortgage. According to Freddie Mac, the median credit score for Latinos in 2022 was 669, up from 648 in 2017, an increase of 3.2 percent.⁵⁹ While the median Latino credit score has increased, it has done so more slowly than it has for other demographic groups. In comparison, the median credit score for Black Americans and non-Hispanic White

Americans increased by 6.8 percent and 6.0 percent, respectively, during that same period. A focus on financial education and credit, particularly for young Latinos, would go a long way in propelling Latino homeownership.

WHERE ARE THE MORTGAGE-READY LATINOS?

Markets with the highest number of mortgage-ready Latinos are large metropolitan areas with dense Latino populations. Topping the list are the Los Angeles-Long Beach-Anaheim MSA (946,000), New York-Newark-Jersey City MSA (760,000), and Miami-Fort Lauderdale-West Palm Beach MSA (436,000).⁶⁰ However, these large MSAs tend to be among the least affordable. In Los Angeles, only 0.6 percent of the nearly one million mortgage-ready Latinos can afford median-priced homes. Markets in Texas were the only exceptions to this rule. McAllen-Edinburg-Mission, El Paso, San Antonio-New Braunfels, and Houston were considered affordable and had a large number of mortgage-ready Latinos. In particular, McAllen is home to 68,000 mortgage-ready Latinos, where nearly half (47.5 percent) can afford the median-priced home.

^dFreddie Mac defines “mortgage-ready” as a group of potential future borrowers ages 45 and younger, who exhibit the following characteristics to qualify for a mortgage: Credit score equal to or greater than 661, DTI equal to or less than 25 percent, no foreclosures or bankruptcies in the past 84 months, and no severe delinquencies in past 12 months. “Near mortgage ready” are those who have a credit score between 600-661, who have a DTI equal to or less than 25 percent, no foreclosures or bankruptcies in the past 84 months, and no severe delinquencies in past 12 months.

TOP 25 OPPORTUNITY MARKETS FOR MORTGAGE-READY LATINOS

The greatest opportunity for Latino homeownership growth exists in markets that have Latinos who are mortgage-ready and have adequate affordability. Freddie Mac and NAHREP have identified the top 25 markets with the most Latinos aged 45 and under who are considered mortgage-ready, ranked by share of those who can afford the median-priced home.⁶ Based on this ranking, McAllen, Texas offers the highest opportunity, followed by the Brownsville and El Paso, Texas MSAs.



⁶The top 25 opportunity markets are ranked according to the largest share of previously defined mortgage-ready Hispanic adults aged 45 and under who can afford the median priced home in each market. A house is considered affordable if a consumer's quarterly household income is greater than or equal to the annual mortgage payment on a median priced house (under the assumption of a 3% down payment, 3.2% mortgage rate, 30-year contract).

TOP 25 OPPORTUNITY MARKETS FOR MORTGAGE-READY LATINOS

RANK	MARKET	"MORTGAGE-READY" HISPANIC POPULATION	SHARE WHO CAN AFFORD MEDIAN PRICED HOME	ANNUAL HOUSING STOCK INDICATOR
1	MCALLEN-EDINBURG-MISSION, TX	68,000	47.5%	5.0
2	BROWNSVILLE-HARLINGEN, TX	31,000	45.1%	5.2
3	EL PASO, TX	65,000	39.2%	2.5
4	LAREDO, TX	21,000	37.8%	4.2
5	CLEVELAND-ELYRIA, OH	12,000	33.8%	1.6
6	CORPUS CHRISTI, TX	16,000	30.0%	-
7	DETROIT-WARREN-DEARBORN, MI	27,000	26.2%	2.3
8	ST. LOUIS, MO-IL	12,000	25.4%	2.3
9	NEW ORLEANS-METAIRIE, LA	14,000	21.1%	4.2
10	CINCINNATI, OH-KY-IN	10,000	21.1%	2.2
11	OKLAHOMA CITY, OK	21,000	19.5%	3.4
12	KILLEEN-TEMPLE, TX	10,000	18.8%	3.8
13	TULSA, OK	13,000	18.6%	3.1
14	MEMPHIS, TN-MS-AR	11,000	16.7%	3.0
15	LAS CRUCES, NM	12,000	16.3%	3.3
16	GREENSBORO-HIGH POINT, NC	9,000	15.0%	1.7
17	YUMA, AZ	13,000	14.5%	3.4
18	SAN ANTONIO-NEW BRAUNFELS, TX	117,000	13.3%	-
19	OMAHA-COUNCIL BLUFFS, NE-IA	12,000	13.2%	2.3
20	VIRGINIA BEACH-NORFOLK-NEWPORT NEWS, VA-NC	16,000	12.3%	2.4
21	INDIANAPOLIS-CARMEL-ANDERSON, IN	20,000	11.9%	1.7
22	HOUSTON-THE WOODLANDS-SUGAR LAND, TX	295,000	11.7%	4.2
23	COLUMBUS, OH	14,000	11.7%	2.2
24	KANSAS CITY, MO-KS	24,000	11.4%	-
25	EL CENTRO, CA	18,000	10.3%	6.5

SOURCE: Freddie Mac calculations at the CBSA-level using anonymized credit bureau data with individuals aged 45 and younger as of September 2022. Affordability is determined if a consumer's quarterly household income is greater than or equal to the annual mortgage payment on a median priced house (under the assumption of 3% down payment, 6.9% mortgage rate as of October 2022, 30-year contract). Housing stock data is from Redfin.com for December 2022.



ADRIAN DE LA GARZA AND LEXIE GARZA
REALTORS®: OLGA AND EDDIE GARZA



SECTION 4: ADDRESSING HOMEOWNERSHIP GAPS

While Hispanic homeownership rates have increased for nearly a decade, a sizable homeownership gap remains. Today, the Hispanic homeownership rate is 25.8 percentage points lower than the non-Hispanic White homeownership rate (74.4 percent).⁶¹ Despite efforts to address the gap, it has not narrowed significantly in decades. More than twenty years ago, in 2000, the homeownership gap was 27.5 percentage points wide, or 1.7 percentage points greater than the gap today. In addition to addressing market barriers like housing affordability, a strategic focus on immigration, special purpose credit programs, and increasing diversity in the industry will be key strategies in narrowing the gap even further.

THE ROLE OF IMMIGRATION IN THE HOUSING MARKET

Immigrants have historically been the bedrock of our economy and the housing industry, disproportionately fueling the construction workforce. Declines in immigration have worsened an already shrinking construction labor force, making it more expensive and difficult to build new homes. Restoring the foreign-born workforce is key to replenishing an aging workforce and to stabilizing our construction labor force.

NET INTERNATIONAL MIGRATION

Immigration experienced a steep decline during the years leading up to the pandemic, as stricter immigration policies established in 2016 reduced authorized immigration. Pandemic-induced shutdowns exacerbated this slowdown, bringing net international migrations practically to a halt. Comparatively, in 2015 and 2016, the U.S. population added more than 1 million net new residents. 2021 marked historically low population growth, as net international migration fell to 376,029.⁶² While 2022 saw a sizable rebound, with international migration numbers returning to pre-pandemic levels and the largest year-over-year increase in total births since 2007, the immigration lag of the last five years has left the U.S. short millions of residents.

CONSTRUCTION LABOR SHORTAGE

The construction labor shortage is one of the greatest threats to housing production, resulting in inflated building costs. According to the U.S. Bureau of Labor Statistics, the industry faced a shortage of 449,000 workers in 2022, the highest on record.⁶³ The National Association of Home Builders has reported labor shortages in the construction industry for years, recording a high of 55 percent of single-family builders facing shortages in Q3 of 2021.⁶⁴ The shortage of workers in the industry has reached a crisis level, with some of the most acute labor gaps in critical homebuilding roles, such as carpentry and concrete workers.

Foreign-born workers, particularly Latino immigrants, play an outsized role in the construction industry and new home construction. Immigrants make up 14 percent of the population but represent 24 percent of the construction workforce and 30 percent of construction trades.⁶⁵ The share of immigrant labor in construction is the highest of any industry, with Latinos making up almost half of the immigrant labor force and 34.2 percent of the construction workforce.⁶⁶ The U.S. Bureau of Labor Statistics projects that as the national labor force ages, participation rates will continue to decline over the next decade.⁶⁷ Increasing immigration levels will keep our workforce solvent. Failing to address the construction labor shortage will continue to put pressure on housing prices, making homeownership less affordable and more difficult for Latinos and other first-time homebuyers.

ACCORDING TO THE U.S. BUREAU OF LABOR STATISTICS, THE CONSTRUCTION INDUSTRY FACED A SHORTAGE OF 449,000 WORKERS IN 2022, THE HIGHEST ON RECORD.



THE PEREZ FAMILY

SPECIAL PURPOSE CREDIT PROGRAMS

This section was produced in partnership with Homeownership Council of America

Designed to meet the needs of economically disadvantaged groups, Special Purpose Credit Programs (SPCPs) are loan programs that serve individuals based on certain characteristics, including their racial or ethnic background, national origin, geographic location, or gender. In the last year, these programs have become hot public debate topics, specifically surrounding equity in access to credit. However, when done correctly, SPCPs can play a significant role in closing the non-Hispanic White and Latino homeownership gap.

AN INCREASE IN SPCPS

While there have been small business loan programs designed to meet the needs of traditionally disadvantaged groups, such as women-owned or minority-owned businesses, the same cannot be said about the mortgage space. Mortgage lending under SPCPs has historically been a remedy to regulatory findings or fair lending discrepancies. However, in December 2021, the Department of Housing and Urban Development (HUD) clarified that the Fair Housing Act does not conflict with the Equal Credit Opportunity Act (ECOA), allowing lenders to be more proactive in issuing targeted SPCPs for mortgage lending. This legal clarity, coupled with persistent racial and ethnic homeownership gaps, has created a surge of new SPCPs.

FEATURES OF SPECIAL PURPOSE CREDIT PROGRAMS

SPCP mortgages generally provide reduced rates and fees. Mortgages often come with closing costs or down payment credits for the borrower. Additionally, an SPCP may have expanded guidelines to address common underwriting issues, facilitating the intended population in successfully achieving credit.

Examples of these guideline changes can include:

- Increased loan-to-value limits (LTV)
- Higher debt-to-income ratio maximums (DTI)
- Lower credit score minimums, pricing/rate adjustments
- Acceptance of non-traditional credit
- Boarder and side income sources
- Lower reserve requirements

SPCP mortgage types can encompass an array of products, including refinance, purchase, construction/rehab, home equity lines of credit,

and of course, down payment or closing cost assistance. Purchase loans designed for diverse homeowners will be the most relevant in moving the needle on the homeownership gap.

WHAT'S HAPPENING WITH SPCP MORTGAGES IN THE 2023 MARKET?

In 2023, both Fannie Mae and Freddie Mac will run scaled multi-MSA SPCPs with selected lenders in various cities and metro areas. Numerous lenders are expected to bring their own SPCPs to market this year, deepening their service to communities of color. The business case for serving diverse market segments will continue to be proven as SPCPs are directed to a growing Latino market segment, with more lenders expected to build their own SPCPs to reach and serve those segments. Small moves in the homeownership gap were made in 2021 and 2022, and thanks to SPCPs, these should grow – even with increased rates and challenged affordability.

DIVERSITY IN THE INDUSTRY

Despite the critical role Latinos play in homeownership growth, housing production, and the overall housing market, Latinos remain underrepresented throughout the real estate industry. For example, the share of Latino REALTORS® is only 11 percent, and only 8.9 percent for loan officers.^{68,69} The lack of Latinos in leadership positions is starker. According to the Hispanic Association on Corporate Responsibility, only 4 percent of corporate executives at the largest U.S. companies are Hispanic.⁷⁰ With emerging efforts to address diversity, NAHREP advocates for companies to focus on increasing Latino representation in leadership roles to reflect and better serve the housing market's economic engine and growing population.

DIVERSITY IS KEY TO HOMEOWNERSHIP GAINS

Real estate companies and organizations are at the forefront of advancing homeownership. Increasing Latino professionals and leaders in the industry would bring a better understanding of cultural nuances that would better serve consumers, leading to greater innovation in program development. A McKinsey analysis found that companies with lower ethnic diversity representation (in the fourth quartile) had 27 percent lower profits compared to those in higher quartiles.⁷¹ Several practitioners from NAHREP's Top Real Estate Practitioner Study pointed out that having enough Latino real estate professionals in their market to service demand had positive effects on Latino buyers in their area.

Given that within the next twenty years, Latinos are projected to account for 70 percent of homeownership growth and non-White households are projected to account for 100 percent,⁷² it is critical to establish a representative industry, attuned to the various nuances across demographic groups. A diverse workforce allows businesses to better serve the segment and ultimately capture more of the market share. Moreover, considering the complex nature of homebuying, having practitioners who can help consumers navigate the process, through shared culture and language, will be invaluable.

“I deal with a lot of Latino buyers who only speak Spanish. Luckily I speak the language but you have that difficulty because everything is in English. Your contracts are in English sometimes. The lender only speaks English.”

Robert Sanchez,
eHomes, Chino, CA

INVESTING IN DIVERSITY IS AN INVESTMENT IN COMMUNITIES

The construction industry is a key industry in housing production that can leverage its large Latino workforce to play a larger role in actual real estate development. In California, for example, communities of color could potentially receive \$32.4 billion in payroll investments if developers were representative of the state's population.⁷³ Also, since minority-owned businesses hire people of color at higher rates, the economic impact of positioning these leaders is heightened.⁷⁴ However, many developers of color do not have the resources or generational wealth to enter the industry, and it is imperative that these emerging builders have the education and resources needed to set them and their communities up for success.

DIVERSIFYING ACROSS THE BOARD

One of the major mistakes companies make is focusing solely on hiring sales personnel, since they work directly with consumers. In reality, starting with management

and operations is equally, if not more, productive. A salesperson is only as good as the support of their front office. If a company doesn't have processors, underwriters, transactional managers, etc., who can also speak the language or understand their consumers, there is a disconnect. Bottom line: a strong, diverse management and operations team will attract and retain diverse salespeople.

THE TIPPING POINT: INCENTIVIZING DIVERSITY

The housing industry must further develop clear incentives for companies to build a diverse workforce and serve diverse markets successfully. NAHREP advocates for secondary market providers and service providers to provide financial incentives, such as reducing pricing and fees, for companies that do this well. While diversity makes business sense, for many companies, a comprehensive industry-wide strategy will be required.

“I come from a construction background. I was laying tile when I was eight years old and my father was in construction. I learned all of the intricacies of building a home. As I got more involved in real estate, I saw different sectors and tried to increase affordability by developing homes in neglected neighborhoods or places people might not consider. You could help people with low income housing. I try to help out.”

Adolfo Diaz,
Century 21 Sun Belt Realty,
Cape Coral, FL



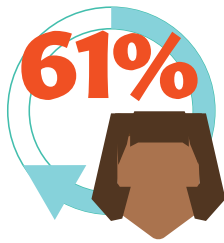
THE ANDRADE FAMILY



2022 LATINO BUYERS SURVEY

NAHREP TOP PRODUCER SURVEY RESULTS¹

LATINO REAL ESTATE AGENTS PREDOMINANTLY SERVE LATINO CLIENTS



MORE THAN HALF OF THEIR BUYER TRANSACTIONS IN 2022 WERE MADE TO LATINOS

SPANISH-LANGUAGE REMAINS DOMINANT IN LATINO PURCHASE TRANSACTIONS²

38% SAID AT LEAST HALF OF THEIR BUYER TRANSACTIONS WERE CONDUCTED ENTIRELY IN SPANISH



PREVALENCE OF FIRST-TIME HOMEBUYERS

41%

SAID THAT MOST, IF NOT ALL, OF THEIR LATINO BUYERS IN 2022 WERE **FIRST-TIME HOMEBUYERS**



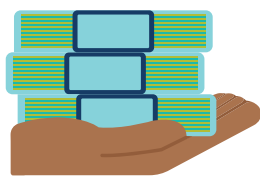
BUYING A HOME IS A FAMILY AFFAIR



30%

OF RESPONDENTS INDICATED THAT AT LEAST **QUARTER OF THEIR LATINO HOMEOWNERS** HAD AN ADDITIONAL BORROWER (SOMEONE OTHER THAN THEIR SPOUSE) ON THE LOAN

UTILIZATION OF DOWN PAYMENT ASSISTANCE PROGRAMS REMAINS LOW



63% INDICATED THAT **FEWER THAN 10%** OF THEIR LATINO HOMEOWNERS USED DPA IN 2022

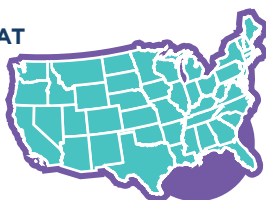
FOR THOSE BUYERS THAT COULD UTILIZE DOWN PAYMENT ASSISTANCE

LENDER PARTNERS WERE THE **MOST POPULAR** WAY OF FINDING OUT ABOUT PROGRAMS IN EACH MARKET



FEW LATINOS ARE MOVING ACROSS STATE LINES

78% INDICATED THAT **FEWER THAN 10%** OF THE LATINO BUYERS RELOCATED FROM A DIFFERENT STATE



FOR LATINO FAMILIES THAT DID RELOCATE IN 2022,

CALIFORNIA & NEW YORK SAW THE HIGHEST OUTBOUND MIGRATION



¹ NAHREP surveyed 510 top producing Latino real estate agents in 39 states plus Puerto Rico. Survey respondents answered questions based on their Latino purchase/buyer transactions that took place in 2022. Survey was administered online between January 1, 2023 and February 14, 2023.

² Responses from Puerto Rico removed from this calculation due to predominance of Spanish speakers in the region.

BIGGEST BARRIER TO HOMEOWNERSHIP

46% SAID
“TOO FEW HOMES FOR SALE IN CLIENT’S PRICE RANGE”

WAS THE NUMBER ONE BARRIER TO LATINO HOMEOWNERSHIP

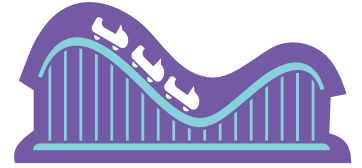


THE TOP RESPONSE FOR 4 YEARS IN A ROW

BUYERS FACE MARKET SWINGS IN 2022

52% SAID THE
MARKET CHANGED DRAMATICALLY

SINCE THE BEGINNING OF THE YEAR



IN THE FIRST
 HALF OF 2022,

52%

IN THE SECOND
 HALF OF 2022,

66%

SAID THEIR
 LATINO FIRST-TIME HOMEBUYERS
FOUND A HOME
 IN LESS THAN THREE MONTHS

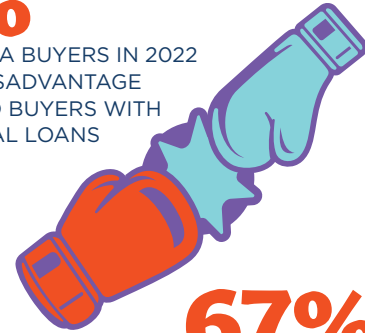
LATINO FIRST-TIME BUYERS RELY ON FHA FINANCING



25% SAID
AT LEAST HALF
 OF THEIR LATINO FIRST-TIME BUYERS
 IN 2022 HAD AN FHA LOAN

FHA BUYERS COMPETE IN A TIGHT HOUSING MARKET

77% SAID THEIR FHA BUYERS IN 2022
 WERE AT A DISADVANTAGE
 COMPARED TO BUYERS WITH
 CONVENTIONAL LOANS



67%

SAID THEIR FHA BUYERS HAD
 AN EASIER TIME GETTING
 THEIR OFFERS ACCEPTED IN
 THE SECOND HALF OF 2022

LATINO INVESTMENT PROPERTY OWNERSHIP IS ON THE RISE

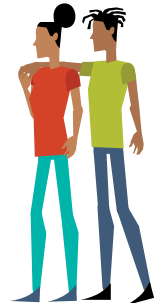
49% SAW AN
INCREASE IN INVESTMENT PROPERTY

OWNERSHIP AMONG
 LATINO BUYERS IN 2022



FIRST-TIME HOMEBUYERS WAITED FOR BETTER MARKET CONDITIONS BEFORE PURCHASING

51% SAID THEIR
 FIRST-TIME HOMEBUYERS WHO FACED
AFFORDABILITY CHALLENGES DECIDED TO
 WAIT FOR THE MARKET TO IMPROVE



ITIN LOANS ARE BECOMING MORE PREVALENT

82% SAID THAT THERE ARE
ITIN LOANS AVAILABLE
 IN THEIR MARKET

56% SAID THEY SAW
MORE ITIN BORROWERS
 IN 2022 THAN IN PRIOR YEARS



THE MOST POPULAR STRATEGIES FIRST-TIME BUYERS USED TO OVERCOME AFFORDABILITY CHALLENGES WERE

- USING DOWN PAYMENT ASSISTANCE
- PURCHASING WITH A CO-BORROWER ON THE LOAN

END NOTES

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- ² U.S. Census Bureau. (2023, January 31). Current Population Survey/Housing Vacancy Survey.
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- ⁵ Calculations made using U.S. Census Bureau, 2021 American Community Survey 1-Year Estimates from IPUMS USA, in CensusVision®.
- ⁶ Calculations made using Home Mortgage Disclosure Act (HMDA) data for home purchases in 2021 in HMDAVision®.
- ⁷ Calculation made in partnership with CoreLogic using Home Price Index, January 2011 – November 2022.
- ⁸ Harvard Joint Center for Housing Studies. (2022). The State of the Nation's Housing 2022. Retrieved from: <https://www.jchs.harvard.edu/state-nations-housing-2022>
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- ¹⁰ Freddie Mac. (2023, February 9). Primary Mortgage Market Survey. Retrieved from <https://www.freddiemac.com/pmms>
- ¹¹ Hepp, S. (2023, January 31). CoreLogic. US CoreLogic S&P Case-Shiller Index Growth Rate Cools Further in November, Up by 7.7%. Retrieved from <https://www.corelogic.com/intelligence/us-corelogic-sp-case-shiller-index-growth-rate-cools-further-in-november-up-by-7-7/>
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- ¹⁹ Calculations made using Home Mortgage Disclosure Act (HMDA) data for home purchases between 2018 and 2021 in HMDAVision®.
- ²⁰ Calculations made using Home Mortgage Disclosure Act (HMDA) data for home purchases in 2021 in HMDAVision®.
- ²¹ Calculations made using Home Mortgage Disclosure Act (HMDA) data for home purchases between 2018 and 2021 in HMDAVision®.
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- ²³ Calculations made using U.S. Census Bureau, 2021 American Community Survey 1-Year Estimates, in CensusVision®.
- ²⁴ Calculations made using Home Mortgage Disclosure Act (HMDA) data for home purchases in 2021 in HMDAVision®.
- ²⁵ Calculations made using Home Mortgage Disclosure Act (HMDA) data for investment property purchases in 2021 in HMDAVision®.
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- ³⁸ Freddie Mac calculations using U.S. Census Bureau, Current Population Survey, 2018 - 2022 Annual Social and Economic Supplement (CPS ASEC).
- ³⁹ National Association of Home Builders. (n.d.). NAHB/Wells Fargo Housing Opportunity Index (HOI). Retrieved from <https://www.nahb.org/news-and-economics/housing-economics/indices/housing-opportunity-index>
- ⁴⁰ Calculation made in partnership with CoreLogic using Home Price Index, January 2011 – November 2022.
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2023 NAHREP NATIONAL POLICY PRIORITIES

The National Association of Hispanic Real Estate Professionals (NAHREP) 2023 Policy Priorities are based on NAHREP's mission - to advance sustainable Hispanic homeownership. NAHREP believes every individual who desires to become a homeowner and can sustain a mortgage, should have access to homeownership.

To that end, NAHREP focuses its advocacy efforts in four main policy areas:

- 1. HOUSING AFFORDABILITY**
- 2. ACCESS TO CREDIT**
- 3. INDUSTRY BEST PRACTICES**
- 4. MACROECONOMIC ISSUES**



1. ADDRESS THE HOUSING AFFORDABILITY CRISIS

Housing affordability has fallen to record lows as home prices and interest rates continued to rise, making it more difficult to achieve homeownership. One of the biggest factors in the affordability crisis is a lack of inventory, particularly at the entry level. Additionally, rising mortgage costs have added further cost burdens on to would-be homebuyers.

REVIEW AND REFORM LAWS THAT STIFLE HOUSING DEVELOPMENT

State Analysis: Support federal efforts to incent states and localities to examine and make changes to laws that prevent or discourage for sale-housing, such as density prohibitions, pre-sale requirements or unusual liability requirements that discourage contractors, insurers, and developers from selling owner-occupied homes. These locality changes should be captured in the Affirmatively Furthering Fair Housing (AFFH) requirement recently reconstituted by the Biden Administration. While incentives for exceptional performance by cities should be rewarded, meaningful constriction of federal funding should be contemplated for little or no compliance with the intent of the AFFH to expand homeownership opportunity.

Homeownership Inclusive Plans: Provide additional funding and resources to support programs, such as Thriving Communities and Y-I-M-B-Y Grant Programs that incent localities to make changes in local rules to permit higher density and smart-transit based development.

EXAMINE AND REDUCE BUILDING COSTS

Revisit Tariffs and Reach Canada Trade Deal: The U.S. must continue to negotiate an appropriate lumber trade deal with Canada to rein in the impact of tariffs on home construction. Supply chain disruptions and the lack of domestic manufacturing capacity is holding back the U.S. economy. Major investment in domestic production of steel, and other key construction materials is needed.

Reduce regulatory compliance costs: The National Association of Home Builders reports the average Regulatory and Compliance cost to build the average new home in America is \$94,000 per unit. In order to make new homes affordable for the average consumer, we recommend creating a Congressional Housing Commission to examine the nature of these burdensome costs and make recommendation by the end of 2023 to reduce them by 50 percent.

LEVERAGE TAX INCENTIVES AND APPROPRIATIONS

Modernize and increase funding for existing federal homeownership programs:

- **HOME Investment Partnerships Program:** This billion dollar program funds state-directed activities including building, purchase, and/or rehabilitation of housing for rent or homeownership. The program should be modernized and revitalized to improve the relative distribution of funds for homeownership opportunities.
- **FHA 203k Rehabilitation Program:** Take steps to make material improvements to the antiquated FHA 203k program to promote public sector participation, such as municipalities and tax-exempt entities as borrowers who take out the loans to preserve the existing housing stock for aspiring owner-occupants.
- **Update FHA's Mortgage Assumption Process:** The FHA Mortgage Assumption program has not been actively used in decades thanks to low-interest rates. Lender compensation, credit qualification, and other rules deserve a refresh in order to breathe life into the program and make FHA home sellers better able to market their homes to the next generation of homebuyers.
- **Leverage Department of Transportation Funding:** Leverage the Department of Transportation to play a bigger role in solving the nation's housing supply shortage, by including housing requirements in transportation funding, encouraging building homes where jobs are located, and tying transportation funding to cities and municipalities performance in promoting housing development.

Support and fund new federal homeownership programs:

- **The Neighborhood Homes Investment Act** authorizes federal tax credits for neighborhood revitalization.
- **Housing Supply and Affordability Act** authorizes a grant program for the development and implementation of housing supply and affordability plans. This may include the formation of an Affordable Homeownership Coalition focused primarily on solving the single-family inventory supply crisis.
- **Revitalizing Downtowns Act** authorizes an expansion of the real estate investment tax credit to add a 20 percent for qualified office conversion credit for affordable housing

Create tax incentives to encourage home sales:

- **Reduce capital gains taxes** to zero for investment property owners that sell their single-family rental units to owner-occupants or first-time homebuyers.
- **Provide a material tax incentive** to the more than 2 million existing single-family homeowners with mortgage rates at 3 percent or less who would otherwise list their home for sale, if not for the rise in interest rates.
- **Incentivize domestic factory-built construction industry:** Create tax credits or incentives to expand and stabilize the domestic factory-built housing industry to grow US construction jobs in a safe working environment and to lower building costs so that homes are more affordable.

LOWER THE COST OF MORTGAGE FINANCING

Eliminate Loan-Level Price Adjustments (LLPAs): LLPAs fee changes are not benefiting modest means borrowers equally. The new debt-to-income sensitivities create de facto restrictions this industry worked hard to eliminate with Qualified Mortgage rules. The FHFA needs to end LLPAs that create undue burdens on communities of color, particularly those with small down payments. Afterall, the credit risk on these loans is already covered by Private Mortgage Insurance. LLPA's are a "double-charge" for the same risk and must be eliminated.



2. EXPAND SUSTAINABLE ACCESS TO CREDIT

To better serve the growing population of Hispanic homebuyers, the lending environment must be conducive to the needs of the market. Latinos overwhelmingly purchase their first home utilizing low down payment products, such as those insured by the Federal Housing Administration (FHA). Additionally, financing opportunities need to be expanded to include self-employed borrowers and borrowers with non-traditional sources of income.

ACCESSIBILITY FOR FIRST-TIME HOMEBUYERS

Mortgage Insurance Premium: Make the mortgage insurance premium tax deduction permanent and increase its income phaseout so that more consumers may benefit from the deduction. Urge FHA to do away with the life-of-loan requirement for the majority of FHA borrowers.

Expand condominium financing: Reduce stringent FHA, GSE and state, and local rules regarding condominium pre-sales, approvals, reserve requirements and liability as they materially restrict housing supply options for many first-time homebuyers. Urge HUD to update its FHA condo approval guidelines to ensure that more condos are FHA approved, by lowering the 50 percent occupancy threshold, and allowing for spot approvals in alignment with Fannie Mae and Freddie Mac condo guidelines.

Expand underwriting to include boarder income and the financing of secondary units: Expand underwriting to allow for the inclusion of future income derived from secondary units. Additionally, streamline regulations to allow financing for the construction of ADUs, granny flats, in-law units, backyard cottages, and other secondary units. Federal financing should be allowed to pay for new factory-built small homes with a cost as high as \$300,000.

Credit scoring competition: Accelerate the implementation of alternative credit scoring models recently approved by FHFA for mortgages sold to the GSEs.

APPRAISAL REFORM

Revamp existing property valuation practices: Examine and revamp property valuation policies to ensure accurate valuation, including changes to governance structure, updating technology, and innovative models.

SPECIAL-PURPOSE CREDIT PROGRAMS

Zero down payment Special Purpose Credit Program for First-Time homebuyers: Policymakers should authorize a national pilot “Earned Opportunity Mortgage (E.O.M.)” program specifically designed for Hispanic and other first-time homebuyers, providing zero percent down payment mortgages. The program should contain specific provisions, for example, sufficient credit score for six months or more, monthly payment reserves of three months or more, and maintain sufficient income to meet standard 45 percent back-end qualifying ratios.

EXISTING FEDERAL LEGISLATION ENDORSED BY NAHREP:

- **Pass the Down Payment Toward Equity Act of 2021** to create a \$20,000 down payment assistance (DPA) program geared toward first-generation, first-time homebuyers whose income is within 120 percent of the Area Median Income (AMI), or 180 percent in high-cost markets, as defined by the Federal Housing Administration.
- **Pass the Low-income First Time Homebuyer (LIFT) Act of 2021** which would create a program through the Department of Housing and Urban Development (HUD) that would sponsor low fixed-rate, 20-year mortgages to accelerate equity building.

3. INDUSTRY BEST PRACTICES

Despite the critical role Latinos play in homeownership growth, housing production, and the overall housing market, Latinos remain underrepresented and underserved in the real estate industry. NAHREP urges the real estate sales, mortgage lending, appraisal, and real estate development industries to diversify their workforce and broaden their services.

INCENTIVIZE DIVERSITY IN THE INDUSTRY

Create financial incentives: Diversity Equity and Inclusion (DEI) aspirational requirements and affordable housing goals create an environment where mortgage lenders do more than the bare minimum to serve underserved communities in a socially conscious manner. Financial incentives, such as a reduction in guarantee fees to surpass minimum standards and potentially reduce FDIC insurance fees for depository institutions achieving specific goals for CRA, affordable housing, low-to-moderate income lending and social responsibility leadership initiatives, which may include expanded diversity hiring and/or internship opportunities.

SUPPORT DEVELOPERS OF COLOR WHO BUILD IN THEIR COMMUNITIES

Developers of Color and Factory-Built Housing Workforce Development Programs: Latinos comprise 30 percent of the construction industry, more than any other demographic. As communities look to institute anti-displacement efforts, programs that provide local contractors with adequate training, support, and funding resources will allow local business owners to be a part of housing production efforts in their communities

GSE Racial Equity Programs: Expand Freddie Mac's Build the Builder Program and encourage Fannie Mae to include programs that support builders of color as part of their racial equity strategy, the Sustainable Communities Partnership and Innovation Initiative, such as offering lower rates for building loans.

Acquisition, Development, Construction (ADC) Financing: Encourage further reduction in FDIC and OCC Acquisition, Development, Construction (ADC) financing requirements imposed on Commercial Banks that make ADC loans to builders and developers. These standards were materially increased during the Great Recession of 2006 - 2013. Regulators should provide immediate, targeted relief to standards well below pre-Great Recession standards, incentivizing the building of affordable, single-family properties.

4. MACROECONOMIC ISSUES

IMMIGRATION AS AN ECONOMIC POLICY ISSUE

Immigrants have historically been the bedrock of our economy. The recent decline in immigrant workers, and consequently, our labor force, has impacted the socio-economic well-being of our communities — and in particular, the housing market, a key driver in stimulating economic growth. Restrictive immigration policies have decreased authorized immigration in recent years and as a result, shrunk an already decreasing labor force.

Protect the Deferred Action for Childhood Arrivals (DACA) Program

As the longevity of the DACA program remains at risk, NAHREP urges Congressional action to provide a pathway to citizenship for Dreamers, protecting them from future deportation and securing their work authorization. DACA recipients have contributed billions to the U.S. economy, own millions of homes, and the vast majority are in the labor force. Dreamers are critical to the nation's workforce and economic growth.

Pass Comprehensive Immigration Reform

The biggest risk to long-term housing production in the U.S. is the construction labor shortage. Urge Congress and the White House to pass Comprehensive Immigration Reform (CIR), with the recognition that the current labor shortage in the U.S. is stifling business growth, particularly in the housing industry. Additionally, NAHREP urges the creation of a temporary visa category that allows employers to petition foreign workers to fill construction industry labor shortages while providing these workers with a path toward citizenship.

EXISTING FEDERAL LEGISLATION ENDORSED BY NAHREP:

- **U.S. Citizenship Act of 2021** to provide temporary legal status and a path to citizenship for the 11 million undocumented workers currently living in the U.S.
- **American Dream and Promise Act of 2021** to protect Dreamers and Temporary Protected Status (TPS) holders from deportation, providing a pathway to permanent residency.



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