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2023 STATE OF
Hispanic
HOMEOWNERSHIP
REPORT

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HOMEOWNERS

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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™.

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CONTENTS

	METHODOLOGY & BACKGROUND	pg. 4
	EXECUTIVE SUMMARY	pg. 6
1	HISPANIC HOMEOWNERSHIP TRENDS	pg. 8
2	DEMOGRAPHICS & ECONOMIC INDICATORS	pg. 12
3	BARRIERS TO HOMEOWNERSHIP	pg. 17
4	OPPORTUNITIES	pg. 21
5	THE ROLE OF THE BUYER'S AGENT	pg. 26
	END NOTES	pg. 28
	POLICY PRIORITIES	pg. 30

REPORT METHODOLOGY

PUBLIC DATASETS

The State of Hispanic Homeownership Report annually employs data 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 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®.

2023 NAHREP TOP REAL ESTATE PRACTITIONER STUDY

To further explore the complexities of the real estate market and Hispanic homebuying in 2023, we conducted a qualitative interview study with top-producing buyer's agents. Interviews were conducted with 25 agents from across the country, representing each of NAHREP's six regions: Northwest (five agents), Southwest (three agents), Mountain (five agents), Midwest (four agents), Southeast (three agents), and Northeast (five agents). The sample consisted of 10 women and 15 men. 14 of these agents work independently, while 11 are part of a larger team of agents. Agents estimated that, on average, 71 percent of their clients in 2023 were buyers and 78 percent were Hispanic.

Interviews were conducted via Zoom by three NAHREP staff members, with one or two staff joining each interview. Each was conducted in English, recorded, and lasted between 40 and 60 minutes. Interviews were then transcribed and transcriptions were reviewed for accuracy. All interviews followed the same semi-structured interview guide, which included questions regarding market trends, challenges faced by Hispanic homebuyers, and methods these homebuyers use to navigate the homebuying process.

Following transcription, all interviews were imported into NVivo and coded for themes like "buyer challenges" and "financing," following flexible coding methods.¹ Iterative coding resulted in more precise themes, including "interest rates," "qualification," and "ITIN." Code reports were then reviewed to identify the most prevalent trends, challenges, and strategies used to navigate homebuying.

2023 NAHREP TOP REAL ESTATE PRACTITIONER STUDY PARTICIPANTS

PARTICIPANT	CITY	SHARE OF CLIENTS WHO ARE BUYERS (%)	SHARE OF BUYERS WHO ARE HISPANIC (%)	INDIVIDUAL/TEAM
Artemisa Boston	Coon Rapids, MN	75	95	Individual
Andreina Canache	Duluth, GA	80	100	Individual
Jesus Covarrubias	Houston, TX	60	90	Team
Luz Estrella Colon	Valrico, FL	50	50	Individual
Michelle Fermin	Lawrence, MA	65	50	Team
Lorenzo Flores	Salem, OR	60	90	Individual
Pablo Galarza	Chicago, IL	60	45	Team
Edgar Garcia	El Paso, TX	70	90	Individual
Angel Hernandez	Denver, CO	75	90	Team
Jorge "Junior" Ibarra	Des Moines, IA	60	60	Team
Phillip Lopez	San Antonio, TX	65	85	Team
Raul Lopez	San Diego, CA	75	80	Team
Kevin McCombs	Salt Lake City, UT	85	90	Team
Sandra Moreno-Corona	Indianapolis, IN	90	95	Individual
Lizbeth Navar Alarcon	Fairfield, CA	85	100	Individual
Pablo Picasso	Peoria, Az	85	90	Individual
Iris Rivera	Vineland, NJ	75	90	Individual
Irma Rodriguez	Newark, DE	80	90	Individual
Johnny Rojas	Garfield, NJ	85	80	Individual
Maria Rosales	Bakersfield, CA	65	85	Team
Suselle Salerno	Cranford, NJ	50	50	Individual
Juan Segura	Reno, NV	80	90	Individual
Junior Torres	Seattle, WA	60	25	Individual
Juan Umazor	Bethesda, MD	60	60	Team
Vicente Vega	Denver, CO	90	90	Team

BACKGROUND

The **2023 State of Hispanic Homeownership Report**[®] is in its fourteenth 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^a 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	6,792,000	+100,000
2014	45.4	6,864,000	+72,000
2015	45.6	7,115,000	+251,000
2016	46.0	7,333,000	+218,000
2017	46.2	7,508,000	+175,000
2018	47.1	7,871,000	+363,000
2019	47.5	8,148,000	+277,000
2020*	—	—	—
2021	48.4	8,816,000	+668,000
2022	48.7	9,178,000	+362,000
2023	49.5	9,555,000	+377,000

SOURCE: United States Census Bureau, Current Population Survey

TABLE A: Hispanic homeownership rate and total owner households from 2000 through 2023.

*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.

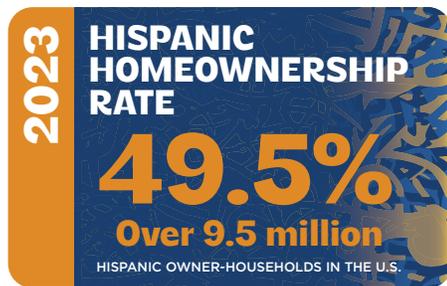
^aThe terms Hispanic and Latino are used interchangeably throughout this report to refer to people of Mexican, Puerto Rican, Cuban, Central American, South American, Dominican, Spanish descent, and descent from other Spanish-speaking countries.

EXECUTIVE SUMMARY

2023 was a challenging year for the real estate market, defined by the highest interest rates in decades and consistently tight inventory. In combination with limited affordable housing options, these high interest rates made it difficult for many Hispanic buyers to qualify for mortgages and find homes that met their needs. These market trends led to uncertainty and confusion among buyers and created anxiety around the homebuying process and the best time to buy. Despite these challenges, Latinos persisted in finding innovative ways to turn dreams of homeownership into reality, growing their homeownership rate more significantly than any other racial or ethnic group last year.

HISPANIC HOMEOWNERSHIP RATE NEARS 50 PERCENT

In 2023, the Hispanic homeownership rate reached 49.5 percent, with a net gain of 377,000 Hispanic owner-households from the year prior. Today, over 9.5 million Hispanic households own their own home.² The remarkable growth of Hispanic homeownership has been a consistent trend, as the Hispanic homeownership rate has risen steadily for nearly a decade, despite experiencing some of the toughest housing market years.



SOURCE: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey (2023)

LATINOS ARE DRIVING HOUSEHOLD FORMATION GROWTH

Latinos are rapidly forming new households, a key precursor to homeownership. In 2023 alone, Latinos saw a net gain of 450,000 new households and were responsible for a quarter (25.5 percent) of overall U.S. household formation growth.³ As young Latinos age out of their parents' homes and form new households, the total number of Latino households is expected to increase. Today, nearly a third (29.5 percent) of Latinos are under the age of 18, with 2.2 million turning 18 within the next two years alone.⁴

LATINOS ARE YOUNG

With a median age of 30.7, Latinos are the youngest racial or ethnic demographic in the U.S., more than ten years younger than non-Hispanics (median age 41.1). Latinos make up a disproportionately large segment of the overall youth population. Today, one in four children under the age of 18 is Hispanic (26.0 percent), and more than two-thirds of Latinos are Millennials or younger.⁵

INTEREST RATES WERE A KEY BARRIER TO HOMEOWNERSHIP IN 2023

In October of 2023, the average 30-year fixed interest rate reached a high of 7.79 percent, the highest weekly average 30-year fixed rate since the year 2000.⁶ While borrowing and savings rates have risen across the board, mortgage rates have seen an unusually large hike relative to other securities. In fact, mortgage rates have climbed faster in 18 months than the Federal Reserve's rate increases by a factor of about 3-10 bps for most loans.⁷

The rapid rise in interest rates following the historic lows seen during the COVID-19 pandemic had

“Even though the interest rates were high, we still didn't have enough houses on the market. So, it's not like the prices dropped and the interest rate went up. They were both up.”

Iris Rivera,
 Vineland, NJ

a massive impact on prospective Hispanic homebuyers, making qualification more difficult and increasing mortgage payments. While rising interest rates affected all homebuyers, this impact was more pronounced among Hispanic households, many of whom are first time buyers with lower median incomes and who live in higher priced markets.

HOME PRICE APPRECIATION SLOWS BUT STILL UNAFFORDABLE

Interest rates had a much-needed cooling effect on home price appreciation in 2023. According to CoreLogic's National Home Price index, home price appreciation slowed dramatically. Year-over-year home price appreciation hit record highs in 2022, reaching a peak in April of 2022 when prices were up 19.5 percent from the year prior. However, rising interest rates have tempered increasing home prices. In April of 2023, home prices were up only 2.3 percent compared to the previous year.⁸

Yet, despite a slowdown in appreciation, an increasingly smaller share of homes on the market are considered affordable. According to national listing data calculated by Realtor.com®, the largest share of homes for sale were under \$200,000 in 2016. In 2023, homes priced under \$200,000 made up only 13.8 percent of homes on the market. The largest share of homes on the market was listed at \$500,000 or more.⁹

HIGH INTEREST RATES DISCOURAGED SALE OF EXISTING HOMES

The share of inventory available for purchase remains at crisis levels. According to the Joint Center for Housing Studies, the number of available homes for purchase has been constrained by decades of slowdown in single-family housing construction. Although 2023 saw a slight increase in existing homes available for purchase, the inventory overall is still 42 percent lower than it was in 2019, when inventory was already struggling.¹⁰ Increased interest rates also impacted affordability by limiting inventory. Many families who may have decided to sell their homes chose not to because their current rate – acquired either through purchase or refinancing during the lower rate period – was simply too good to give up.

LATINOS ARE WILLING TO MOVE TO LOWER-COST AREAS

In the face of affordability challenges, many Hispanic homebuyers have set their sights on more affordable locations. Agents in NAHREP's practitioner interviews described the willingness of Hispanic buyers to relocate from higher cost markets into other areas (e.g., from California

and Florida to Colorado and Texas, from the Washington, D.C. metro area to the Carolinas, and from New York City to New Jersey). The COVID-19 pandemic seemed to encourage this trend. The desire for more space and greater affordability encouraged buyers to adopt a wider radius, even across state lines, in their homebuying search.

THE CO-SIGNER ERA: A LARGER SHARE OF LATINOS TAKE ON CO-BORROWERS

In a high price and high interest rate environment, co-borrowers are becoming increasingly more common. Agents in NAHREP's practitioner interviews spoke of a noticeable increase in the share of buyers requiring a co-borrower compared to years prior. Co-occupant, co-borrowers are more common in places where homes can be adapted to comprise multiple living spaces. In other cases, family members or friends agreed to serve as a co-signer for a buyer with the intention of coming off the loan at some point in the future. These sorts of arrangements were particularly advantageous in 2023, given the increased difficulty of qualifying due to higher interest rates.

“For the Latino community, where there is a will, there is a way.”

Juan Umazor,
Bethesda, MD

BUYER'S AGENTS HELP IDENTIFY LOCAL FINANCIAL INCENTIVES AND PROGRAMS

Homebuilders, state and local governments, and financial institutions offer several programs to lessen the financial burdens of a home purchase, particularly for first-time buyers. Agents in NAHREP's practitioner study mentioned homebuilders in their market providing incentives, including substantial rate buy-downs. Additionally, state and local governments and financial institutions offer a multitude of down payment assistance programs. Buyer's agents play a particularly important role in supporting homebuyers to identify local programs that help make homeownership more affordable, both in the short-term, by reducing the amount of cash buyers need to make a purchase, and in the long-term, by reducing mortgage amounts through increased down payments.

CONCLUSION

Despite ongoing affordability and inventory crises and the highest interest rates in recent years, Latinos continue to purchase homes at rates surpassing all other racial or ethnic groups. Fortunately, high interest rates also meant more limited competition in some markets, resulting in increased negotiating power for buyers. In these cases, and many others, guidance from competent buyer's agents proved crucial for Hispanic homebuyers navigating the market in 2023. Agents assisted buyers in understanding the best mortgage options in the context of the high rate environment, including FHA and ITIN loans, and advised buyers on the financial programs and incentives for which they may be eligible. Migration to lower cost areas and the use of co-borrowers were also more common in 2023, and both of these tactics speak to the commitment of Latinos in achieving homeownership and investing in their financial future.

SECTION 1: HISPANIC HOMEOWNERSHIP TRENDS

HISPANIC HOMEOWNERSHIP RATE NEARS 50 PERCENT

In 2023, the Hispanic homeownership rate reached 49.5 percent, with a net gain of 377,000 Hispanic owner-households from the year prior. Hispanic households saw the largest increase in homeownership rate across all racial or ethnic demographic groups, rising 0.8 percentage points compared to the year prior. 2023 also marked the largest single-year gain of new Hispanic homeowners since 2005. Today, over 9.5 million Hispanic households own their own home.¹¹ The remarkable growth of Hispanic homeownership has been a consistent trend, as the Hispanic homeownership rate has risen steadily for nearly a decade, despite experiencing some of the toughest housing market years of a generation.

Reaching a nearly 50 percent homeownership rate is a milestone for the Latino community. At no other point in our nation's history has this rate come close to 50 percent, with the exception of the three years leading up to the 2008 housing crisis when Latinos were disproportionately targeted with unsound lending practices, leading to a loss of up to two-thirds of their household wealth. After the crash, and the subsequent Great Recession, many Hispanic households faced economic impacts for years to come. The Hispanic homeownership rate hit its lowest point post-crisis in 2014, dropping to 45.4 percent.¹²

Today, not only has the Hispanic homeownership rate nearly reached its pre-crisis high, but homeownership today is more sustainable than ever before. In today's environment, mortgage lending practices have improved and rising home price appreciation has created substantial equity for existing homeowners.



SOURCE: U.S. Census Bureau, Current Population Survey/Housing Vacancy Survey (2023)

HISPANIC HOUSEHOLDS ARE DRIVING HOMEOWNERSHIP GROWTH

U.S. homeownership growth is disproportionately being driven by Latinos. Over the last ten years, Hispanic households have been responsible for 25.6 percent of the country's overall homeownership growth, despite only making up 14.8 percent of households.¹³ Next to non-Hispanic White households, Latinos are responsible for the largest share of homeownership growth of any racial or ethnic demographic. However, while non-Hispanic White households account for 40.7 percent of homeownership growth, at over two-thirds of households overall (64.1 percent), their share of homeownership growth is relatively low given their population size. In line with this trend, non-Hispanic White households were the only racial or ethnic demographic to see a drop in homeownership rate last year.¹⁴

STRONG HISPANIC HOUSEHOLD FORMATION GROWTH

Over the last decade, Latinos formed an additional 4.6 million new households, an increase of 31.0 percent. Latinos are rapidly forming new households, a key

precursor to homeownership. In 2023 alone, Latinos saw a net gain of 450,000 new households and were responsible for a quarter (25.5 percent) of overall U.S. household formation growth.¹⁵

The relative youth of Latinos likely plays a significant role in household formations. With a median age of 30.7, Latinos are significantly younger than their non-Hispanic counterparts (median age 41.1). As young Latinos age out of their parents' homes and form new households, the total number of Latino households is expected to increase. Today, nearly a third (29.5 percent) of Latinos are under the age of 18, with 2.2 million turning 18 within the next two years alone.¹⁶

HISPANIC HOMEBUYERS ARE YOUNG

While Latinos are forming new households at a faster rate than other racial or ethnic demographic, they are also buying homes younger. The largest share of Hispanic homebuyers falls into the 25-34 age bracket, with 41.2 percent of Hispanic home purchase originations in 2022 going to someone under the age of 35. Additionally, 7.1 percent of Hispanic homebuyers were under the age of 25, higher than non-Hispanic buyers.¹⁷ NAHREP's practitioner interviews show further evidence of this trend.

The vast majority of agents interviewed as part of NAHREP's Top Real Estate Practitioner Study indicated that the bulk of their buyers in 2023 were between 25 to 35, an encouraging sign. Juan Segura of Reno, Nevada said, "I'm seeing more activity [among] young buyers. And I'm very proud of our Latinos because now people that are in their 20s are buying." This sentiment was echoed by other

agents as well. Johnny Rojas, an agent in Garfield, New Jersey, shared a young buyer's success story. The 27-year-old young man, who had immigrated to the U.S. with his parents when he was 12 and who'd grown up under the protections of DACA, finished college, completed his M.B.A., and landed a high-paying job. At the time of the interview, he was two weeks from closing on his first home, putting more than 20 percent down. "I think that could be a good inspiration for somebody," Rojas said.

SHARE OF HOME PURCHASE ORIGINATIONS BY AGE AND ETHNICITY (2022)

	Non-Hispanic	Hispanic
<25	5.7%	7.1%
25-34	30.8%	34.1%
35-44	26.5%	28.5%
45-54	17.1%	17.6%
55+	19.8%	12.6%

SOURCE: 2022 Home Mortgage Disclosure Act (HMDA) data for home purchase originations in 2022 by age and ethnicity.

ENTHUSIASM FOR HOMEOWNERSHIP REMAINS STRONG DESPITE SOME APPREHENSION

Despite market challenges, Hispanic sentiments around homeownership remain very positive. The majority (80 percent) of Johnny Rojas' (Garfield, New Jersey) clients in 2023 were Hispanic, and he was adamant that the reason was partially due to Latinos' determination to become homeowners despite difficulties. "I don't feel like those buyers give up on themselves. They never give up," Rojas said. "They stay focused. They took advice...and right now, they are living the American dream, becoming homeowners for the first time." This perception of homeownership is common among Latinos. As Andreina Canache, an agent in Duluth, Georgia, said of her Hispanic clients, "They always dream

about their first home," and these clients are willing to make sacrifices to make that dream a reality. While Latinos are widely enthusiastic about homeownership, they are often apprehensive about the homebuying process. There are a number of reasons for this, including a lack of understanding of the real estate market or the necessary steps to purchase a home, receiving mixed messages from media on "the right time to buy," and the sense of urgency during the homebuying process. Maria Rosales, an agent in Bakersfield, California, noted great hesitancy among buyers in 2023 saying, "There weren't a lot of clients ready to make a move."

Apprehension surrounding home buying may have been heightened in 2023 due to market challenges. According to the Realtor.com® 2023 Consumer Research Study, the top emotions Latino homebuyers experienced while trying to find a home were stress (48 percent), anxiety (44 percent) and frustration (38 percent). Negative emotions were reported far more than positive emotions, with less than a third of buyers reporting feelings of success (31 percent), satisfaction (30 percent) and joy (28 percent). Compared to the general population of homebuyers, more Latino buyers last year reported feeling disappointed during the process, with 28 percent of these buyers noting disappointment compared to just 20 percent of buyers overall.¹⁸

While some apprehension around the homebuying process is normal, interest rate increases and more general economic uncertainty seemed to exacerbate this anxiety. Jesus Covarrubias (Houston, Texas) found that buyers were "more enthusiastic in 2022 than 2023." This lack of enthusiasm often surfaced as uncertainty. Johnny Rojas (Garfield, New Jersey) recalled, "I think [buyers] didn't know exactly what to expect based on the economy, based on inflation, based on interest [rates] going up...So, basically, you know, they didn't know what to do."

EMOTIONS FELT WHILE TRYING TO FIND A NEW HOME IN 2023

Emotions	Hispanic Homebuyers
STRESS	48%
ANXIETY	44%
FRUSTRATION	38%
SUCCESS	31%
SATISFACTION	30%
JOY	28%
DISAPPOINTMENT	28%
RELIEF	27%
ACCOMPLISHMENT	27%
COMFORT	22%
CONFUSION	22%
ANNOYANCE	20%
ANGER	14%
DISTRUST	12%
HASSLE	10%
REGRET	8%

SOURCE: Realtor.com® 2023 Consumer Research Study

BUYER'S AGENTS PLAY A BIG ROLE IN PREPARING HOMEBUYERS

Competent buyer's agents are critical in moments of uncertainty and act as primary educators for consumers on issues like market conditions, the home buying process, and the most feasible financing options. Covarrubias emphasized the importance of "coaching [buyers] on the way the market took a shift," while Liz Alarcon (Fairfield, California) recalled buyers' constant concerns regarding interest rates, but remained committed to educating the Latino community on the long-term value of homeownership, as opposed to renting. Rather than fixating on rate, she prioritized "getting [buyers] into a home by focusing more on payment than rate." By doing so, she helped buyers realize their dream of homeownership and invest in their own financial future, avoiding the prevalent fearmongering

surrounding the higher interest rate environment.

Many agents also spoke of educating buyers about the increased competition that follows significant rate drops. “If I guided them the correct way,” Sandra Moreno (Indianapolis, Indiana) said, “they might have said that the interest rate is high right now, but if you buy now, it’s better than [waiting for] a low interest rate. Later on, you may have a lot of customers [trying to buy] the same property for more money.” Agents’ efforts to educate clients on both the value of homeownership and the smartest ways to make that dream a reality are critical in all home purchases, but especially in challenging markets.

HISPANIC FINANCING TRENDS

CONVENTIONAL FINANCING INCREASED WITH HISPANIC HOMEBUYERS

Latinos have historically relied on low down payment mortgage options for home purchases. As recently as 2018, nearly one-third (31.3 percent) of Hispanic home purchase originations were done through FHA, almost twice the rate of the general population. While Latinos are still more likely to utilize FHA products than non-Latinos, that trend may be shifting. In 2022, only 24.7 percent of Latinos purchased a home using FHA products, compared to 65.6 percent who used conventional.¹⁹

This shift can be attributed to a number of different factors, including market competition and the availability of low down payment conventional products. In a highly competitive housing market, low-down payment clients are at a competitive disadvantage in the bidding process. 2022 in particular was a challenging year for homebuyers, as sellers with multiple offers often went with those that were perceived to be

the easiest to close, typically cash offers or conventional loans with lower loan-to-value ratios.

FHA FINANCING IS MORE ATTRACTIVE IN A HIGH INTEREST RATE ENVIRONMENT

While the proportion of Latino buyers using FHA loans declined between 2018 and 2022, there may be an uptick in 2023. Several top-producing buyer agents interviewed as part of NAHREP’s practitioner study noted an increase in FHA lending, with several noting that FHA offered better rates in 2023 than many of their conventional counterparts. Iris Rivera, an agent in Vineland, New Jersey, explained, “Even when [buyers] could go conventional, a lot of times we were telling them, ‘This is why it would be worth going FHA.’ Yeah, because of the interest rates. In 2022, we were urging them to go conventional to get their offer accepted because you had to stand out in 2022.” With less competition, buyers choosing to finance through FHA were less likely to be passed over for a cash or conventional buyer. Luz Colon (Valrico, Florida) reaffirmed this trend, “...people were going FHA even if they could go conventional, I would say. From June to July, we had a lot more FHA [buyers], and a lot more sellers now having to be more comfortable to accept it because the rates were better than conventional.”

FHA loans are also critical homebuying tools for the Hispanic community because they have higher debt-to-income (DTI) ratio limits than most conventional loans. This gives those with more moderate incomes greater purchasing power at a reasonable rate. Edgar Garcia (El Paso, Texas) noted, “Our trend was we had to go FHA...because of the debt-to-income ratios that were higher...most of the buyers, 90% of the buyers were definitely going FHA [in 2023]. And I think it’s going to continue this route [in 2024] as well.” In addition to higher DTI limits, FHA approval amounts may also be higher than conventional loans, as

“Even when [buyers] could go conventional, a lot of times we were telling them, ‘This is why it would be worth going FHA.’ Yeah, because of the interest rates.”

Iris Rivera,
Vineland, NJ

Suselle Salermo of Cranford, New Jersey described. “Buyers approved for an FHA loan have more buying power, so they can afford more,” she said. “If, for instance, let’s say, I have a buyer that’s pre-qualified conventional for \$500,000. They may be pre-approved with FHA for \$550,000. So, they have \$50,000 more to play with...” While the rate of Hispanic buyers choosing FHA over conventional loans decreased from 2018 to 2022, this trend may shift if higher interest rates and affordability challenges persist.

HISPANIC HOMEBUYERS CONTINUE TO FACE HIGHER DENIAL ODDS

Hispanic homebuyers are still more likely to be denied mortgage financing than their non-Hispanic counterparts. In 2022, Hispanic or Latino applicants were 54 percent more likely to be denied than non-Hispanic applicants. This figure increased to 75 percent for those applying for a conventional purchase loan. DTI ratios were noted as the number one denial reason for Hispanic home purchase applicants for the last two consecutive years. Importantly, however, for Hispanic applicants seeking an FHA loan product, denial odds were significantly lower. In 2022, Hispanic applicants were only 5 percent more likely to be denied FHA financing than non-Hispanic applicants.²⁰ As such, FHA financing options may be both more accessible and affordable for Hispanic buyers, particularly given the importance of higher DTI ratio limits and lower relative interest rates in the current market.

INCREASED ACCESSIBILITY OF ITIN LOANS BOOSTS IMMIGRANT HOMEOWNERSHIP

Homeownership opportunities are becoming more accessible for immigrants who use Individual Taxpayer Identification Numbers (ITIN) rather than social security numbers to apply for a mortgage. Historically, most banks did not offer ITIN loans, and, despite being high-performing, they typically have much higher down payment requirements (generally, around 20 percent) and higher interest rates than conventional loans.²¹

During NAHREP's 2023 practitioner interviews, real estate agents across the country spoke of the increased accessibility of ITIN loans, noting new loan products with lower down payments and interest rates. Irma Rodriguez (Newark, Delaware) said, "There's a program that's out now and ITIN buyers, all they

need is 5% down, which is helping a lot. But in the past, it was 20%, 10%. Recently, it came down to 5%. That's encouraged the ITIN buyers to come down and start buying." A staggering 50 percent of Andreina Canache's (Duluth, Georgia) buyers in 2023 used some form of ITIN loan, including one requiring only a 3.5 percent down payment. Similarly, Maria Rosales (Bakersfield, California) noticed banks "coming up with more flexible programs" for ITIN buyers.

One exception to this trend was Junior Ibarra (Des Moines, Iowa), who pointed out that the opposite was true in his market last year. Previously, local credit unions and other banking institutions in Des Moines have offered ITIN loans with 5 percent down payment options, he said. However, this changed in 2023. "When all of these volatile interest rate hikes and liquidity issues were hitting the banking institutions or credit unions," Ibarra

"There's a program that's out now and **ITIN buyers, all they need is 5% down**, which is helping a lot."

Irma Rodriguez,
Newark, DE

said, "[ITIN loans were] the first thing to go because most of them have to be in-house...As soon as the liquidity issue started making its way across the country, some banks [became] more reserved with what type of loans they were offering... and that hurts the Latino market and the immigrant community market." For many immigrants and mixed-status households, ITIN loans make homeownership possible. Accessible ITIN loan products are, therefore, critical to Hispanic homeownership and to the Latino community more broadly.

SHARE OF HISPANIC INVESTMENT PROPERTY ORIGINATIONS IS ON THE RISE

The share of Hispanic home purchase originations for second homes and investment properties is on the rise. In 2018, 6.4 percent of Hispanic purchase originations were for a property outside of their primary residence. In 2022, that share increased to 7.8 percent.²² Agents took note of an increase in 2023, as buyers purchased investment properties with the intention of either flipping them quickly or holding them more long-term. Pablo Galarza (Chicago, Illinois) said, "Everybody started jumping on board [in 2023]. I mean, I've never had so many rehabbers at one given time." Liz Alarcon (Fairfield, California) found this short-term real estate investment trend to be particularly prevalent among her Latino clients. "I do see a lot of investors, now more than ever, which I'm super proud of...I absolutely see more [investors] than the past years...I'm working a lot with Latino buyers that want to do a lot of flips."

In addition to Hispanic buyers hoping to flip a property for a quick return on their purchase, there are also those investing in real estate with more long-term goals. Phillip Lopez (San Antonio, Texas) mentioned working with a number of buyers who planned to use second properties as wealth-building vehicles over time. "We work with a lot of different investors," he said:

A lot of people last year were [realizing] this is still a good time to buy a secondary home for an investment and treat it as a long-term investment for themselves or for their kids that are going to college at some point...We did see a lot of people pulling out from those 401ks and utilizing them [to purchase] rental properties that are going to keep making money and, ultimately, take the equity out 15 to 30 years from now.

"I do see a lot of investors, **now more than ever**, which I'm super proud of."

Liz Alarcon,
Fairfield, California

Cases like those described by Lopez are prime examples of how real estate can be used as a tool to build generational wealth and support a family's long-term financial stability.

SECTION 2: DEMOGRAPHICS & ECONOMIC INDICATORS

As Hispanic homeownership rates continue to climb, several demographic and economic indicators demonstrate the likelihood of continued longevity for Latinos in advancing homeownership opportunities. Latinos are the youngest and second-largest racial or ethnic demographic in the country, driving both U.S. population and household formation growth, key precursors to homeownership. With the highest labor force participation rate for more than two decades, Latinos have consistently experienced rising incomes and educational attainment, two economic factors that contribute to homeownership readiness. Latinos are also taking advantage of multigenerational living, sharing economic resources to make homeownership more attainable.

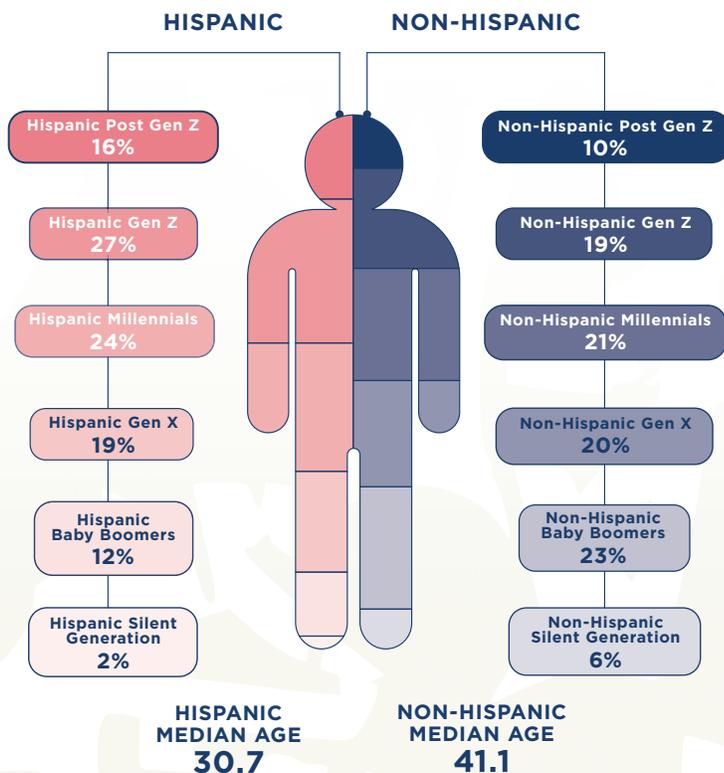
LATINOS ARE YOUNG

With a median age of 30.7, Latinos are the youngest racial or ethnic demographic in the U.S. Comparatively, the median age for non-Hispanics of any racial background is 41.1, more than ten years older. The median age for Latinos skews younger as they make up a disproportionately larger segment of the overall youth population. Today, one in four children under the age of 18 is Hispanic (26.0 percent).²³

Latinos comprise an even larger share of the youth population in highly populated Latino states. Latinos make up more than half of the under-18 population in New Mexico (61.9 percent) and California (51.9 percent), and over 40 percent in Texas (49.1 percent), Arizona (44.9 percent) and Nevada (41.7 percent).²⁴ Latinos are widely expected to become the majority population in these states in the coming years.

When looking at the Hispanic population breakdown by generation, more than two-thirds of Latinos are Millennials or younger. Comparatively, just over half (51.1 percent) of non-Hispanics fall into those generational groups. The largest share of Latinos, 27.2 percent, are Gen Z, which encompasses those aged 11 to 26 in 2023. Comparatively only 19.5 percent of non-Hispanics fall into this demographic.²⁵

HISPANIC & NON-HISPANIC POPULATION BY GENERATION



SOURCE: U.S. Census Bureau, American Community Survey 1-Year Estimates (2022) from IPUMS USA, calculations made in CensusVision.

LATINOS ARE DRIVING U.S. POPULATION GROWTH

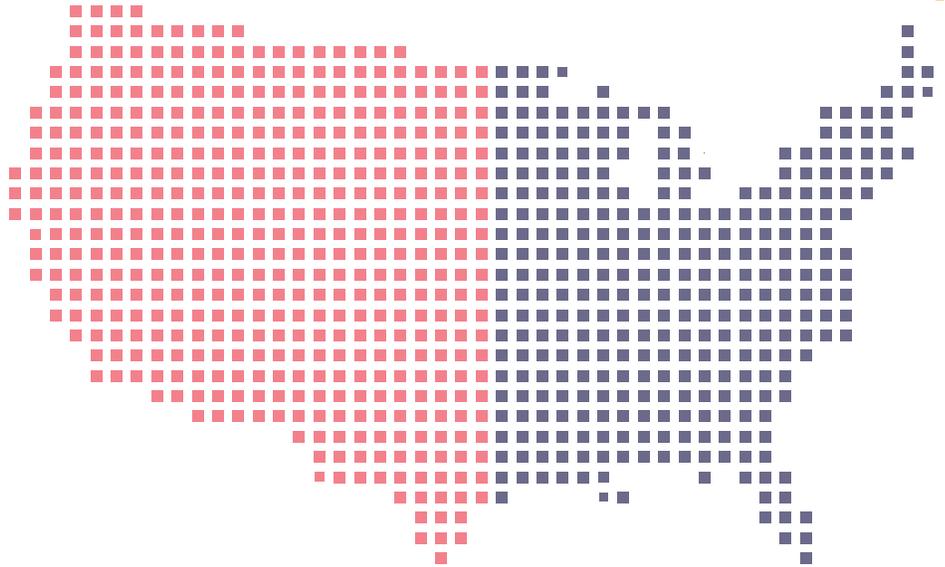
The Latino population is growing rapidly and has maintained its status as the second-largest racial or ethnic demographic in the nation. With a total population of 63.6 million, Latinos account for 19.1 percent of the United States population. Over the last decade, the Hispanic population grew by 10.6 million and was responsible for more than half (54.7 percent) of net U.S. population growth.²⁶

Population growth trends are not exclusive to states with large Hispanic populations. Since 2012, the Hispanic population has increased in every single state in the country by at least 8 percent. In some states, the growth rate is much higher. The five states that have experienced the largest Hispanic population growth rates over the last decade are Tennessee (43.8 percent), Pennsylvania (42.9 percent), Idaho (41.5 percent), Rhode Island (38.6 percent), and Maryland (38.3 percent).²⁷

FOREIGN-BORN HISPANIC POPULATION REBOUNDED

As of 2022, 67.9 percent of the Hispanic population in the U.S. was U.S.-born. The majority of this growth stems from native births rather than immigration. Over the last ten years, the Latino population has grown by 10.6 million, over 9 million of whom were born in the U.S. Today, the vast majority (93.8 percent) of Latinos under-18 are U.S.-born. Since 2012, the U.S. has gained only 1.5 million Latino immigrants.²⁸ Overall, restrictive policies over the last decade have slowed immigration.

In the last decade, increased immigration enforcement and new legal barriers have led to fewer immigrants applying for permanent residency status in the U.S.²⁹



Between 2012 and 2022,
THE HISPANIC POPULATION WAS RESPONSIBLE FOR MORE THAN HALF (54.7 PERCENT)
 of U.S. population growth

SOURCE: United States Census Bureau (2012, 2022). American Community Survey, 1-Year Estimates.

Compounding these effects, the number of immigrants authorized to enter the U.S. during the COVID-19 pandemic declined dramatically.³⁰ Though that tide may be shifting, as legal immigration has started to rebound to pre-pandemic levels. Between 2021 and 2022, the U.S. added a net gain of over 450,000 Latino immigrants, accounting for nearly a third (29.7 percent) of the net growth in foreign-born Latinos over the last 10 years, in one year alone.³¹

HOUSEHOLD INCOMES AND EDUCATIONAL ATTAINMENT ARE ON THE RISE

Educational attainment is on the rise as more Latinos than ever before are attending college. As of 2022, 7.6 million Latinos aged 25 and older had earned a Bachelor's degree or higher, equivalent to 20.4 percent of the Latino population. Over the last ten years alone, the number of Latinos with Bachelor's degrees has nearly doubled. Between 2012 and

2022, the rate of Bachelor's degrees earned by Latinos increased by 90.6 percent, far outpacing the general population at 34.8 percent. When it comes to educational attainment, Latinas are leading the charge. In 2022, 22.4 percent of Latinas aged 25 and older had earned at least a Bachelor's degree, compared to 18.4 percent of Latino men.³²

College education plays a significant role in homeownership readiness. Latinos with college degrees have higher incomes and greater wealth than those who don't. According to the Federal Reserve Survey of Consumer Finances, Latino households headed by someone with a college degree have a median net worth of \$229,000, more than 5 times higher than Latino households that do not hold a college degree (\$41,870).³³ Similarly, Latinos with a Bachelor's degree or higher have a personal income of more than double that of non-college-educated Latinos, \$50,000 annually compared to \$20,000.³⁴

Similarly, Latinos have seen substantial household income growth over the past year. In 2022, the median household income for Hispanic households was \$65,882, an 8.8 percent increase from the year prior. Although the income gap between Hispanic households and the overall population remains, Hispanic household income is outpacing the general population's and growing faster than most other racial or ethnic demographics. Over the last decade, Hispanic household income grew by over \$25,000, a growth rate of 63.0 percent compared to 45.5 percent for households overall.³⁵

LATINOS ARE PREDICTED TO MAINTAIN THE HIGHEST LABOR FORCE PARTICIPATION RATES

For more than two decades, Latinos have held the highest labor force participation rate of any racial or ethnic demographic, with a rate of 66.9 percent in 2023. Nearly one in five workers (19.0 percent) in the labor force are Hispanic.³⁶

This trend is expected to continue. Predictions from the Bureau of Labor Statistics estimate that the Hispanic labor force will grow 2 percent annually and account for 21.9 percent of the overall labor force in 2032.³⁷ Similarly, Latinas are now the second-largest group of female workers in the U.S., with a participation rate of 61.3 percent.³⁸

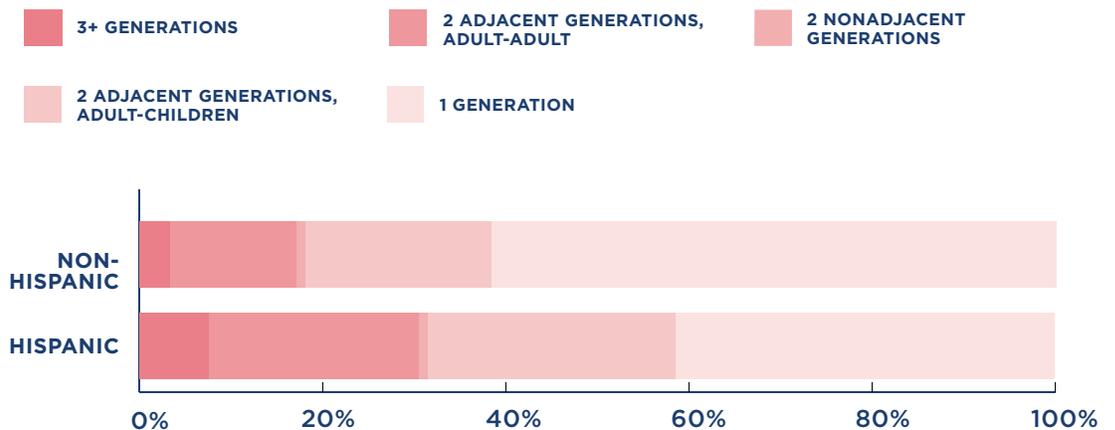
NEARLY ONE-THIRD OF HISPANIC HOUSEHOLDS ARE MULTIGENERATIONAL

More than any other racial or ethnic demographic, Latinos continue to be among the most likely to live in multigenerational households. Multigenerational households include those with two adjacent adult generations, such as parents living with their adult children, two non-adjacent generations, and three or more generations living in one household. In 2022, there were 5.9 million multigenerational Hispanic households, 31.4 percent of Hispanic households overall.

Comparatively, only 18.0 percent of non-Hispanic households in the U.S. are multigenerational.³⁹ The largest share of multigenerational households for Hispanic families falls into the category of two adjacent adult generations, such as parents living with their adult children. In 2022, this included 4.3 million or 23.7 percent of Hispanic households, a net increase of nearly 110,000 households from the year prior.

Latinos often live in multigenerational households to share resources, a growing trend in recent years. This may be particularly common in more expensive markets. Michelle Fermin, an agent in Lawrence, Massachusetts, said, "Lawrence is a primarily Latino market where there are a lot of immigrants. A lot of folks live in a multi-generational home because it's so expensive to live here." As affordability issues persist, multi-generational homes may become a more common way for families to make homeownership possible.

HOUSEHOLD COMPOSITION BY GENERATION AND ETHNICITY (2022)



SOURCE: U.S. Census Bureau, American Community Survey 1-Year Estimates (2022) from IPUMS USA, calculations made in CensusVision.

TOP 5 STATES AND TERRITORIES...

LATINO ECONOMIC INDICATORS

Highest Rates of College-Educated Latinos

1. DISTRICT OF COLUMBIA: 65.7%
2. VIRGINIA: 30.6%
3. FLORIDA: 28.9%
4. HAWAII: 26.8%
5. MARYLAND: 25.5%



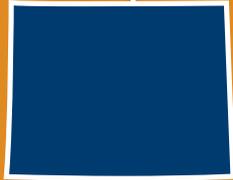
Highest Latino Median Household Income

1. DISTRICT OF COLUMBIA: \$117,945
2. ALASKA: \$86,081
3. VIRGINIA: \$84,525
4. MARYLAND: \$82,138
5. HAWAII: \$78,846



Fastest Growing Latino Median Household Income (2012 - 2022)

1. WYOMING: ↑ 53.3%
2. ALASKA: ↑ 40.6%
3. DISTRICT OF COLUMBIA: ↑ 31.6%
4. DELAWARE: ↑ 27%
5. IOWA: ↑ 23.7%



Highest Latino Labor Force Participation Rate

1. DISTRICT OF COLUMBIA: 75.3%
2. MINNESOTA: 75.3%
3. VIRGINIA: 75%
4. ALASKA: 74.4%
5. NEBRASKA: 74.4%



Highest Labor Force Participation Rate for Latinas

1. VIRGINIA: 67.9%
2. DISTRICT OF COLUMBIA: 67.1%
3. CONNECTICUT: 66.1%
4. DELAWARE: 64.4%
5. OREGON: 62.8%



LATINOS MAKE THE MAJORITY OF THE UNDER-18 POPULATION IN

1. NEW MEXICO: 61.9%
2. CALIFORNIA: 51.9%

AND OVER 40% OF THE UNDER-18 POPULATION IN

1. TEXAS: 49.1%
2. ARIZONA: 44.9%
3. NEVADA: 41.7%

THE STATE OF LATINO YOUTH

THE MEDIAN AGE FOR LATINOS 29 OR YOUNGER IN THE FOLLOWING STATES:

- | | |
|-------------------|--------------------|
| 1. NEBRASKA | 15. SOUTH CAROLINA |
| 2. OKLAHOMA | 16. DELAWARE |
| 3. TENNESSEE | 17. MICHIGAN |
| 4. IOWA | 18. ALASKA |
| 5. KANSAS | 19. GEORGIA |
| 6. WISCONSIN | 20. OREGON |
| 7. MINNESOTA | 21. PENNSYLVANIA |
| 8. NORTH CAROLINA | 22. RHODE ISLAND |
| 9. UTAH | 23. VIRGINIA |
| 10. ARKANSAS | 24. ARIZONA |
| 11. HAWAII | 25. MARYLAND |
| 12. INDIANA | |
| 13. WASHINGTON | |
| 14. IDAHO | |

LATINOS IN NEBRASKA AND OKLAHOMA ARE THE YOUNGEST WITH A MEDIAN AGE OF 24.5.



TOP 3 STATES WITH THE LARGEST INCREASE OF LATINOS WITH COLLEGE DEGREES

DISTRICT OF COLUMBIA

2022	2021	DIFFERENCE
65.7%	57.4%	8.3 PERCENTAGE POINTS

DELAWARE

2022	2021	DIFFERENCE
22.3%	18.7%	3.6 PERCENTAGE POINTS

ALASKA

2022	2021	DIFFERENCE
25.3%	21.7%	3.6 PERCENTAGE POINTS

DRIVING POPULATION GROWTH

TOP 5 STATES AND TERRITORIES...

Largest Latino Population Growth

1. TEXAS: +2.1 MIL
2. FLORIDA: +1.5 MIL
3. CALIFORNIA: +1.2 MIL
4. ARIZONA: +412K
5. NEW JERSEY: +387K



Largest Latino population growth rate over the last 10 years

1. TENNESSEE: ↑ 43.8%
2. PENNSYLVANIA: ↑ 42.9%
3. IDAHO: ↑ 41.5%
4. RHODE ISLAND: ↑ 38.6%
5. MARYLAND: ↑ 38.3%



SINCE 2012, THE LATINO POPULATION HAS INCREASED IN EVERY SINGLE STATE IN THE COUNTRY BY AT LEAST

8%



FOREIGN-BORN OR U.S. BORN?

TOP 5 STATES AND TERRITORIES WITH THE LARGEST SHARE OF LATINOS WHO ARE...

FOREIGN-BORN

1. FLORIDA: 56.7%
2. MARYLAND: 50%
3. NEW JERSEY: 49.2%
4. MASSACHUSETTS: 48.5%
5. RHODE ISLAND: 48.4%

1. HAWAII: 89.9%
2. NEW MEXICO: 85.4%
3. WYOMING: 84%
4. ALASKA: 78.9%
5. COLORADO: 76.3%

U.S. BORN



SECTION 3: BARRIERS TO HOMEOWNERSHIP

The number one barrier to advancing sustainable Hispanic homeownership is housing affordability. Today, more Latinos are ready to buy than ever before, but there are not enough homes available for purchase, and those that are on the market are becoming increasingly more expensive. However, the greatest compounding factor in 2023, was interest rates. In the words of Iris Rivera, an agent in Vineland, New Jersey, “It all comes back to the interest rates.”

INTEREST RATES HIT A TWENTY-THREE-YEAR HIGH, THE FASTEST RATE HIKE IN RECENT HISTORY

In an effort to stave off inflation, the Federal Reserve raised interest rates 11 times since March of 2022, the fastest interest rate increase since the 1980s. While borrowing and savings rates have risen across the board, mortgage rates have seen an unusually large hike relative to other securities. In fact, mortgage rates have climbed faster in 18 months than the Federal Reserve’s rate

increases by a factor of about 3-10 bps for most loans.⁴⁰ This “spread,” or difference between the Federal Reserve’s interest rate on ten-year notes and a regular 30-year mortgage, is the highest it has been in years.

In October of 2023, the average 30-year fixed interest rate reached a high of 7.79 percent, the highest weekly average 30-year fixed rate since the year 2000.⁴¹ Interest rates coupled with home prices created a tough market for homebuyers in 2023, resulting in what has been

reported as the least affordable market on record. According to Redfin, a homebuyer with a median U.S. income would have had to spend a record 41 percent of their earnings on monthly housing costs in 2023, up from 39 percent in 2022 and 31 percent in 2021.⁴²

“It all comes back to the interest rates.”

Iris Rivera,
Vineland, NJ

HIGHER INTEREST RATES MAKE QUALIFYING FOR A MORTGAGE MORE DIFFICULT

The rapid rise in interest rates following the historic lows seen during the COVID-19 pandemic had a massive impact on prospective Hispanic homebuyers. Increased interest rates made it more difficult for buyers to qualify. In some cases, interest rates rose so quickly that buyers who qualified one month were pushed out the next. As Raul Lopez of San Diego, California said, “It was very hard to qualify this year, because rates were so high, and every time rates go up one point, that affects 10% of your buying power.”

While rising interest rates impacted all homebuyers, this impact was more pronounced among Hispanic households, many of which earn relatively lower median household incomes and live in more expensive housing markets. “Rates had a huge impact, especially on the Latino community trying to qualify,” Pablo Picasso, an agent in Peoria, Arizona said. “[The] average salary here for Latinos is anywhere from \$40,000 to \$60,000, and with rates at 7 plus, obviously, it had a big impact on qualifying...we’re not quite there yet to really compensate for that borrower to qualify.”

For those who did qualify, approval amounts dropped while potential payments soared. This often meant adjusting expectations in terms of size or location of home. As Junior Ibarra (Des Moines, Iowa) shared:

[Buyers] were approved for less based on DTI because interest rates were higher, right? That sometimes created a problem [depending] on what you needed or wanted for your family. You wanted a three bedroom, two bath house with a two car garage. Well, now, the new price that you were approved for would only get you a two bedroom, one bath, one car garage.

In these cases, agents often worked to encourage buyers to see real estate as an investment, explaining that, while they may not currently be able to afford their dream home, even a starter home “can help you build wealth over time” (Junior Torres, Seattle, Washington).

HIGHER INTEREST RATES FOSTER UNCERTAINTY AMONG BUYERS

Rapid shifts in interest rates also led to uncertainty and apprehension among buyers, “startling the market,” as Phillip Lopez of San Antonio, Texas put it. Despite the multitude of resources, including news media and the internet that offer a wealth of information for potential buyers, without proper guidance, they’ll often face confusion and anxiety.

“We hear so much conflicting information. ‘There’s no way this can possibly keep going. The interests are going to go up. They’re going to go down.’ We hear so many different scenarios that it’s overwhelming for a consumer.”

Michelle Fermin,
Lawrence, MA

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“The news [is] probably the worst part of it, right?” Michelle Fermin, an agent in Lawrence, Massachusetts said. “We hear so much conflicting information. ‘There’s no way this can possibly keep going. The interests are going to go up. They’re going to go down.’ We hear so many different scenarios that it’s overwhelming for a consumer.” In these circumstances, the educator role buyer’s agents often play is particularly pronounced.

IN SOME MARKETS, HIGHER INTEREST RATES MEAN MORE NEGOTIATING POWER

Despite challenges, higher interest rates proved to be beneficial in certain markets, translating to more negotiating power. Essentially, since fewer buyers entered the market, those that did decide to buy had more leverage. As Junior Torres of Seattle, Washington stated, “I thought 2023 was an ideal time for a first-time homebuyer to come to the table...because homes were not selling as fast....this allowed me the opportunity to negotiate the best possible package for my clients.” Irma Rodriguez (Newark, Delaware) agreed. “Some people are waiting for the interest rates to come down,” she said, “but they don’t realize that, one day, there will be a lot more buyers, and the competition [will] be greater.” Agents made great efforts to educate consumers on the advantages of buying despite higher rates, helping them avoid a market where intense competition limited their options.

CONFIDENCE IN THE HOUSING MARKET IS PREDICTED TO RE-EMERGE IN 2024

Several agents during NAHREP’s practitioner interviews indicated that Hispanic homebuyers are beginning to understand the realities of the higher interest rate environment, predicting that they will be more confident in 2024. Artemisa Boston, an agent in Coon Rapids, Minnesota, said, “I think by next year...we are going to have more buyers because they are going to understand that the transition to lower interest rates is not going to happen in one or two months. It’s going to take several years, and they can always refinance, right?”

A number of agents, including Angel Hernandez (Denver, Colorado) repeated the adage “Marry the house. Date the rate,” implying buyers should purchase the home

that meets their needs with the goal of refinancing when rates fall again. “I would buy now,” Hernandez told buyers, “then, refinance when the right time comes along down the road, maybe later on this year, maybe next.”

HOME PRICE APPRECIATION SLOWS IN 2023

Interest rates also had a much needed cooling effect on home price appreciation in 2023. According to CoreLogic’s National Home Price index, home price appreciation slowed dramatically. Year-over-year home price appreciation hit record highs in 2022, reaching a peak in April of 2022 when prices were up 19.5 percent from the year prior. However, rising interest rates have tempered this growth. In April of 2023, home prices were up only 2.3 percent compared to the previous year.⁴³ While home prices remain at record highs, failing to reduce nationally over the past year, the rate of growth has slowed to a pace the market hasn’t seen since 2012.

While nationally home price appreciation is trending down, some states are still feeling the pinch. In August 2023, 24 states had year-over-year price appreciation rates of over 5 percent, with New Hampshire experiencing the largest year-over-year change at 9.4 percent. While only eight states saw a year-over-year reduction in home prices in August of 2023, several were states with large Latino populations, such as Nevada (-2.3 percent), Arizona (-0.9 percent), Texas (-0.4 percent), and New York (-0.2 percent).⁴⁴

WHILE APPRECIATION IS DOWN, HOME PRICES REMAIN HIGH

An increasingly smaller share of homes on the market are considered affordable. According to national listing data calculated by Realtor.com®, in 2016, the largest share of homes for sale on the market fell into the under \$200,000 price bracket. In 2023, homes priced under \$200,000

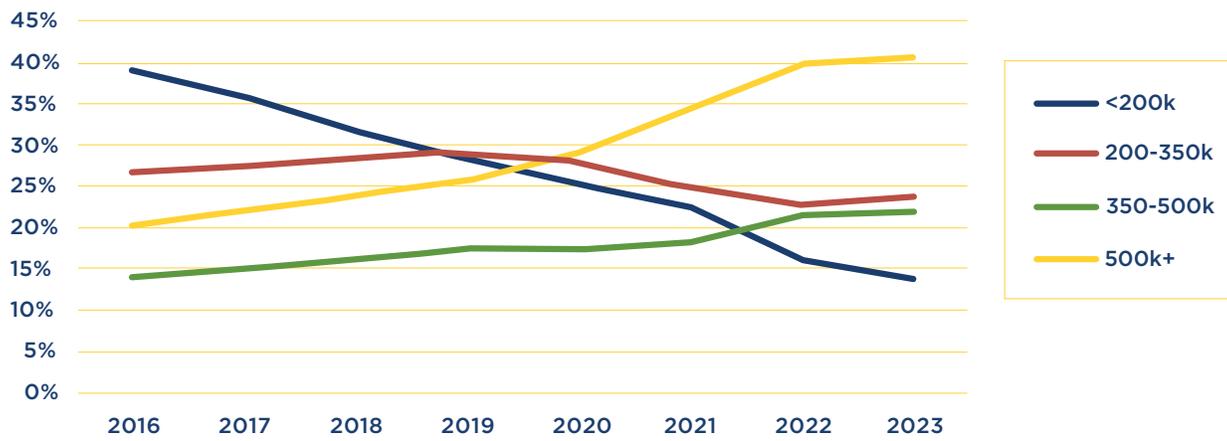
made up the smallest share, at only 13.8 percent, while the largest share of homes were among the most expensive, listed at \$500,000 or more.⁴⁵

Prices are up nationally, not only in a few states and metros. Many states and localities that have historically had more affordable home prices

are shifting. When analyzing the share of homes for sale under \$200,000, the largest change can be seen in Puerto Rico. In 2016, 79.4 percent of homes there were listed under \$200,000. In 2023, that dropped by more than half to 30.4 percent. Similarly, Arizona saw a radical shift, with only 2.9 percent of homes in 2023 listed for under \$200,000,

down from 26.0 percent in 2016. The state with the smallest share of homes for sale in 2023 under \$200,000 was surprisingly Utah, with only 1.4 percent of homes falling in that price range, a lower share than more expensive states like California and Massachusetts, both at 1.9 percent.⁴⁶

SHARE OF HOMES FOR SALE IN THE U.S. BY PRICE (2016-2023)



SOURCE: Calculations made in partnership with Realtor.com® using annual national listings data.

HOUSEHOLD INCOME IS NOT KEEPING UP WITH HOME PRICE APPRECIATION

For most households, income has not kept pace with appreciating prices. Lorenzo Flores, an agent in Salem, Oregon, described the hardworking families he meets, who cannot fulfill the dream of homeownership. “I think it comes down to income,” he said. “A lot of families, Mom and Dad were both working full time and yet, they still couldn’t afford a house, and that was difficult to see.” Home prices have appreciated dramatically over the past decade, and incomes have not kept pace. Even in relatively “affordable” markets, affordability remains an issue, said Phillip Lopez (San Antonio, Texas):

Again, it goes back to the affordability factor. I mean, San Antonio still is a very affordable city, but it doesn’t match up right now with the wages and what it is that a consumer is looking for. If I’m only making \$60,000 to \$65,000 and I want to go buy a \$300,000, \$350,000 home, it’s going to be pretty tough. You better have little to no debt... So, if we’re talking about qualifying, a lot of them do still get qualified. It’s just not what they were looking for because that price difference of, you know, \$60,000 to \$100,000 from what it was in 2021 to 2023 – it is a big difference.

While home price appreciation slowed in 2023, the number of homes considered affordable continued to decrease and, for many families, increases in income did not match the rising cost of a home to meet their needs.

“A lot of families, **Mom and Dad were both working full time and yet, they still couldn’t afford a house**, and that was difficult to see.”

Lorenzo Flores,
Salem, OR

HOUSING INVENTORY REMAINS CRITICALLY LOW

The share of inventory available for purchase remains at crisis levels. According to the Joint Center for Housing Studies, the number of available homes for purchase has been constrained by decades of slowdown in single-family housing construction. Although 2023 saw a slight increase in existing homes available for purchase, the inventory overall is still 42 percent lower than it was in 2019, when inventory was already struggling.⁴⁷ Housing construction slowed down as a result of the 2008 housing crisis and has yet to fully rebound. In 2017, there was an average of 1.2 million active listings in the U.S. In 2023, the number of active listings dropped to 645,447, declining by almost half.⁴⁸

“Even though the interest rates were high, we still didn’t have enough houses on the market. So, it’s not like the prices dropped and the interest rate went up. They were both up.”

Iris Rivera,
Vineland, NJ

What was once considered a regional issue is now a nation-wide crisis. According to research conducted by Up For Growth, as of 2021, the U.S. is short 3.89 million housing units to meet demand, and underproduction of housing is getting worse, not better. Between 2019 and 2021, 83 percent of markets across the country had fewer homes available to meet market demands, with the largest impact in small towns, where underproduction increased by 47.8 percent over the two-year period.⁴⁹

HIGHER INTEREST RATES DISCOURAGE SALE OF EXISTING HOMES

Increased interest rates also impacted affordability by limiting inventory. Many families who may have decided to sell their homes chose not to because their current rate – acquired either through purchase or refinancing during the lower rate period – was simply too good to give up. As Angel Hernandez, an agent in Denver, Colorado, said, “How can you walk away from a rate of 3 percent and walk into a 7.5 half percent?” And while many predicted higher rates would lead to decreased property values and greater affordability, this wasn’t the case, partially due to extremely tight inventory. “Even though the interest rates were high, we still didn’t have enough houses on the market,” Iris Rivera of Vineland, New Jersey said. “So, it’s not like the prices dropped and the interest rate went up. They were both up.”

INVESTOR COMPETITION REMAINS STRONG

Overall, the share of homes sold to investors increased between 2022 and 2023. Of the metropolitan statistical areas tracked by CoreLogic, the share of investor purchases increased in three quarters (72.4 percent) of markets, with some of the greatest investor activity in markets most pertinent to the Latino community. The Los Angeles metro area, the most populous Latino market, ranked second for investor activity in 2023 at 41.7 percent. El Paso and McAllen, Texas also ranked in the top five. These two markets have been identified as top homeownership opportunity markets for Latinos over the past several years due to their large Latino populations and relative housing affordability. Four out of the top five markets for investor activity in 2023 saw a significant increase compared to the year prior, with the exception of the Atlanta, Georgia metro area. While Atlanta saw some reduction compared to 2022, it was ranked the second-highest market for investor activity that year.⁵⁰

TOP 5 MARKETS WITH THE LARGE SHARE OF INVESTOR PURCHASES IN 2023

	SHARE OF HOMES SOLD TO INVESTORS IN...	
	2023	2022
San Jose-Sunnyvale-Santa Clara, CA	45.3%	39.6%
Los Angeles-Long Beach-Anaheim, CA	41.7%	37.5%
El Paso, TX	37.2%	33.1%
McAllen-Edinburg-Mission, TX	37.1%	34.4%
Atlanta-Sandy Springs-Roswell, GA	36.5%	39.5%

SOURCE: CoreLogic calculations using investor sales data for metropolitan statistical areas in 2022 and 2023.

SECTION 4: OPPORTUNITIES

Despite barriers, the Hispanic homeownership rate is on the rise. Latinos continue to purchase homes in record numbers, with 2023 boasting a net gain of 377,000, the largest single-year gain in almost twenty years. Yet, this growth did not happen on its own. Resiliency and ingenuity within the Latino community have led to sustained homeownership growth. Homebuyers have employed several strategies in order to overcome affordability challenges in recent years.

STRATEGY #1: LATINOS ARE WILLING TO MOVE TO LOWER-COST AREAS

In the face of affordability challenges, many Hispanic homebuyers have set their sights on more affordable locations. Agents in NAHREP's practitioner interviews described the willingness of Hispanic buyers to relocate from higher cost markets into other areas (e.g., from California and Florida to Colorado and Texas, from the Washington, D.C. metro area to the Carolinas, and from New York City to New Jersey).

While some opted for long-distance moves, others chose to find more affordable areas or neighborhoods within their current region. Andreina Canache (Duluth, Georgia) noted this trend was common among Hispanic buyers in her market, and that her buyers did not mind relocating, given the opportunities it presented. "Even if they have to drive 25 minutes or 40 minutes [to work], they don't care," she said. "They can buy a house and be a homeowner." Kevin McCombs (Salt Lake City, Utah) echoed this sentiment: "[Buyers are] moving farther out where affordability is better...we have a lot of clients that say, 'We go farther out and we find a better home, better life.'" By widening their search, many Hispanic buyers were able to become homeowners for the first time or find a home that offered more space and a better quality of life.

The COVID-19 pandemic seemed to encourage this trend. "One thing that COVID taught us is you want to be comfortable in your home. You want to be able to have the space to be comfortable. A lot of people are buying land or buying where their home is their oasis," Luz Colon (Valrico, Florida) said. The desire for more space and greater affordability encouraged buyers to adopt a wider radius in their homebuying search. This is especially true for those who work remotely, an increasingly common trend since the onset of the pandemic. Irma Rodriguez (Newark, Delaware) described welcoming a number of Hispanic buyers from nearby Pennsylvania and New Jersey into her market:

In Delaware, the taxes are very low, and the homes are very affordable. In Jersey, the real estate taxes are very high, and if they're working remotely...I have a customer who works from home. She has to travel back to Jersey twice a week. Well, she didn't mind because it's just an hour away, [and] she liked the comfort of the home. She was able to get a lot of home for the money.

For many buyers who work from home or those willing to commute, moving to more affordable areas made investing in homeownership possible.

“Even if they have to drive 25 minutes or 40 minutes [to work], they don't care. **They can buy a house and be a homeowner.**”

Andreina Canache,
Duluth, Georgia

TEXAS, PENNSYLVANIA AND GEORGIA SAW THE HIGHEST HISPANIC NET MIGRATION

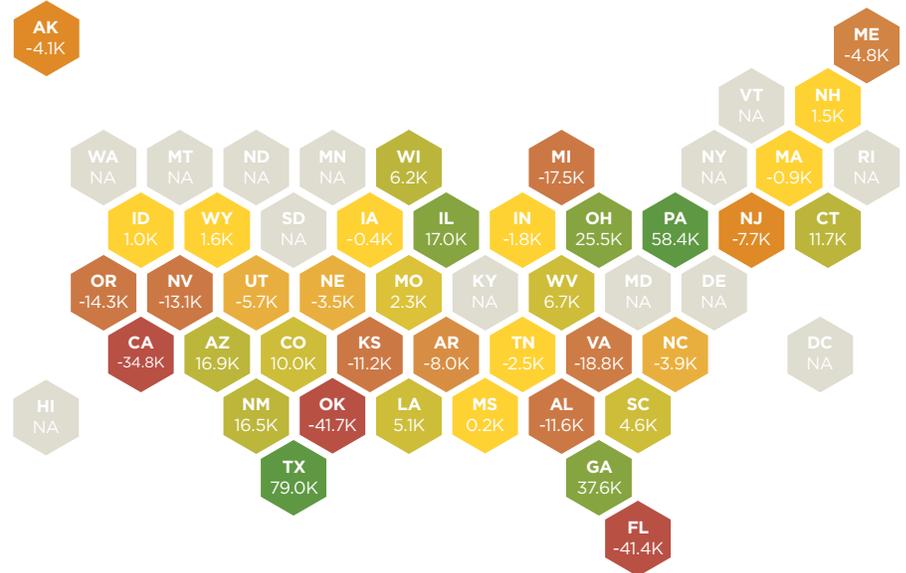
Migration patterns across state lines support the notion that Latinos are willing to move to find more homeownership opportunity. According to Freddie Mac, states that saw the highest Hispanic net migration between 2022 and 2023 were Texas (+79,000), Pennsylvania (+58,4000), and Georgia (+37,600).⁵¹ Texas has consistently seen the highest year-over-year Latino net migration in recent years, likely due in part to the relative affordability of housing within the state.

States that have historically boasted more moderate Latino populations have also become more attractive in recent years. Pennsylvania, the state with the second-highest positive net migration for Latinos last year has been trending up for some time. Since 2012, Pennsylvania has added a net gain of more than 335,000 Latinos, an increase of 42.9 percent over a ten-year period. Conversely, some of the states with the most dense Latino populations are seeing a larger amount of negative net migration. Between 2022 and 2023, Florida and California, both highly populated Latino states, had a net loss of 41,100 and 34,800 Latinos respectively.⁵²

STRATEGY #2: THE CO-SIGNER ERA: A LARGER SHARE OF LATINOS TAKE ON CO-BORROWERS TO ACHIEVE HOMEOWNERSHIP

In a high price and high interest rate environment, co-borrowers are becoming increasingly more common. Agents in NAHREP’s practitioner interviews spoke of a noticeable increase in the share of buyers requiring a co-borrower compared to years prior. Edgar Garcia (El Paso, Texas) described this trend, “In the past, we never talked about co-borrowers – obviously,

HISPANIC NET MIGRATION BY STATE (2022-2023)



Top 5 States with Positive Net Migration

- 1 Texas ————— 79.0K
- 2 Pennsylvania ——— 58.4K
- 3 Georgia ————— 37.6K
- 4 Ohio ————— 25.5K
- 5 Illinois ————— 17.0K

Top 5 States with Negative Net Migration

- 1 Oklahoma ————— -41.7K
- 2 Florida ————— -41.4K
- 3 California ————— -34.8K
- 4 Virginia ————— -18.8K
- 5 Michigan ————— -17.5K

SOURCE: Freddie Mac

husband and wife, you know, that’s your co-borrower. But last year I had co-borrowers where the dad was jumping in, the mom jumping in. I’ve even seen grandparents jump in. So, I did see that spike this year.”

Lorenzo Flores (Salem, Oregon) noted that he made a special effort to educate buyers on the option of using co-borrowers. “I actually saw [co-borrowing] so much that I focused on and did educational classes at different places about how you can use your family members to buy a house and that was probably the most popular thing last year: joining together with relatives or others and purchasing.”

Vicente Vega (Denver, Colorado) said plainly, “We’re in the co-signer era.” Vega estimated that the percentage of his buyers using co-signers increased to nearly 40 percent in 2023, up from approximately 20 percent in years prior. In some of the highest cost markets, however, the prevalence of co-borrowers was nothing new. Raul Lopez is an agent in San Diego, California, one of the country’s most expensive markets. “[An increase in co-borrowers] wasn’t really a big change last year for me. I’ve always seen that,” he said. “Like, I had a family of four that bought together just because it was affordable.”

WHO ARE THE CO-BORROWERS? A LOOK AT HOUSEHOLD COMPOSITIONS

In some cases, co-borrowers (typically, family members) choose to buy and live together. This is more common in places where homes can be adapted to comprise multiple living spaces. For example, “Here in Denver, unlike some other parts of the country, we do have a good percentage of homes that have basements in them,” said agent Angel Hernandez. “So, people are able to, you know, if it’s the husband and wife, and a son and his wife, and they live in the basement, and the couple lives on the main floor...that allows for those family purchases instead of solo purchases.”

In the Northeast, multifamily homes are more common and can be used in the same way. “A lot of siblings bought together [in 2023],” Michelle Fermin (Lawrence, Massachusetts) said. “I’ll take one unit. You take the other unit,’ type of scenario so they can qualify for the property.” These arrangements allowed families to collectively purchase homes and begin building equity.

In other cases, however, family members or friends agreed to serve as a co-signer for a buyer with the intention of coming off the loan at some point in the future. For Lorenzo Flores (Salem, Oregon) this was more common. “I would probably say 25% of those [buyers using co-borrowers] live with the co-borrower, and then everybody else would just be like ‘Yes, I’ll help you make the purchase, in hopes that you can refinance in the next 2 years and then take my name off.’” These sorts of arrangements were particularly advantageous in 2023, given the increased difficulty of qualifying due to higher interest rates.

The willingness of family members, and sometimes friends, to co-sign is an important reflection of Hispanic culture and family values. Edgar Garcia (El Paso, Texas) said:

I love it because [homeownership] is ultimately a goal. I did see a lot of families, mostly Hispanic families...a lot of fathers that were saying, “Hey, maybe I can’t contribute to your down payment right now, but I can contribute my income and my credit. So, let’s help you buy this house.” I did see a lot of families that, you know, a lot of parents that never had the opportunity of homeownership. So, at this point, they saw that it was beneficial to pass on that dream to their children.

Hispanic culture traditionally emphasizes the value of family and considers its collective good to be of great importance. In the context of homeownership, this often means coming together to support one another financially. Furthermore, multigenerational Hispanic homes are common, so having family members sign onto a mortgage collectively and live together is not abnormal. Speaking to co-signing as an example of the creativity and resilience of the community, agent Juan Umanzor (Bethesda, Maryland) said, “...for the Latino community, where there is a will, there is a way.”

“For the Latino community, where there is a will, there is a way.”

Juan Umanzor,
Bethesda, MD

STRATEGY #3: MAKING USE OF LOCALIZED FINANCIAL INCENTIVES AND PROGRAMS

In addition to moving to more affordable areas and taking advantage of co-borrower arrangements, Hispanic homebuyers have made great use of more localized financial initiatives to help make their dream of homeownership a reality. Homebuilders, state and local governments, and financial institutions offer a number of programs to lessen the financial burdens of a home purchase, particularly for first-time buyers.

Three agents in NAHREP's practitioner study mentioned homebuilders in their market providing incentives, including substantial rate buy-downs. "New construction did continue to stay strong because of the interest rates," Jesus Covarrubias (Houston, Texas) said. "[Homebuilders] were going to buy down a pocket of interest rates to keep them down, incentivize the buyers, give them more closing costs and stuff like that...they were just a little bit more flexible." Maria Rosales

(Bakersfield, California) partnered with several builders in her area with similar programs. "When rates were in the sixes and sevens, they were offering rates in the high fives, and now that they're in the sixes, they're offering rates in the fours. So, that's where I'm driving a lot of my people, because the rate is just too good to pass on...it helps make the whole process more affordable," she stated. These sorts of rate buy-downs make eligible new homes particularly appealing in higher rate environments like those the market experienced in 2023.

In addition to rate buy-downs and other incentives offered by homebuilders, state and local governments and financial institutions offer a multitude of down payment assistance programs that are impactful for Hispanic homebuyers. Down payment assistance is typically available exclusively for first-time homebuyers, and may be contingent upon several other factors, including household income or property location. These assistance programs also vary in amount and form. For example,

while some function as grants, others act as interest-free loans that are either forgiven after a certain period or are repaid when the homebuyer decides to sell.

Michelle Fermin (Lawrence, Massachusetts) spoke of a program offered by the state of Massachusetts offering down payment assistance to owner-occupants. "They had \$35 million in grant money that went very quickly," she said. "That money [will be] forgiven if they live there for X amount of time. So, that was a big, big help." Agents across the country, from Florida to California, spoke of similar programs. Vicente Vega (Denver, Colorado) estimated that 80 percent of his buyers in 2023 benefitted from some form of first-time homebuyer down payment assistance program. For Hispanic homebuyers, particularly first-time buyers, these programs help make homeownership more affordable, both in the short-term, by reducing the amount of cash buyers need to make a purchase, and in the long-term, by reducing mortgage amounts through increased down payments.

OPPORTUNITY MARKETS

The greatest opportunity for Latino homeownership growth exists in markets that remain affordable for Hispanic families. NAHREP and Freddie Mac have partnered to identify the top 25 markets in which a median-income earning Hispanic household can afford a moderately-priced home. Freddie Mac defined a moderately priced home as one which is at 80 percent of the median house price for the market. As of Jan 2024, there were 35 markets where median-income Hispanic households could afford a moderately-priced home. The most affordable being St. Louis, MO-IL, Odessa, TX, and Laredo, TX.

TOP 25 OPPORTUNITY MARKETS BASED ON AFFORDABILITY

RANK	MARKET	AFFORDABILITY RATIO	CREDIT VISIBLE HISPANIC POPULATION
1	ST. LOUIS, MO-IL	1.87	52,000
2	ODESSA, TX	1.73	55,000
3	LAREDO, TX	1.42	126,000
4	MCALLEN-EDINBURG-MISSION, TX	1.38	390,000
5	BROWNSVILLE-HARLINGEN, TX	1.33	194,000
6	DETROIT-WARREN-DEARBORN, MI	1.3	114,000
7	NEW ORLEANS-METAIRIE, LA	1.29	68,000
8	EL PASO, TX	1.28	411,000
9	OMAHA-COUNCIL BLUFFS, NE-IA	1.28	52,000
10	TULSA, OK	1.25	51,000
11	CORPUS CHRISTI, TX	1.25	131,000
12	LUBBOCK, TX	1.24	58,000
13	INDIANAPOLIS-CARMEL-ANDERSON, IN	1.24	84,000
14	CLEVELAND-ELYRIA, OH	1.22	70,000
15	CHICAGO-NAPERVILLE-ELGIN, IL-IN-WI	1.21	1,200,000
16	GRAND RAPIDS-KENTWOOD, MI	1.2	49,000
17	PALM BAY-MELBOURNE-TITUSVILLE, FL	1.17	46,000
18	HARTFORD-EAST HARTFORD-MIDDLETOWN, CT	1.16	104,000
19	KANSAS CITY, MO-KS	1.16	105,000
20	BALTIMORE-COLUMBIA-TOWSON, MD	1.15	120,000
21	EL CENTRO, CA	1.14	91,000
22	OKLAHOMA CITY, OK	1.14	87,000
23	HOUSTON-THE WOODLANDS-SUGAR LAND, TX	1.12	1,400,000
24	SAN ANTONIO-NEW BRAUNFELS, TX	1.11	758,000
25	JACKSONVILLE, FL	1.08	108,000

SOURCE: Freddie Mac calculation using anonymized credit bureau data as of February 2023. Credit visible population represents U.S. consumers in the credit bureau data. SF Affordability Ratio is obtained by dividing maximum house price by moderate home value (80% of median home value) based on Freddie Mac Home Value Explorer data for January 2024. The calculation for the maximum house price is based on 2022 American Community Survey data, adjusted to 2023 levels using 7.6% average household income growth in CBSAs based on 2023 Area Median Income. It operates under the assumption that the front-end debt-to-income ratio would be limited to 31%, assuming they were obtaining a 30-year fixed-rate mortgage with a 3% down payment (mortgage rate as of January 2024 is 6.6%). A CBSA is considered affordable to its median-income Hispanic household if affordability ratio is greater than or equal to 1. Only CBSA with more than 50K credit-visible Hispanic population are shown.

SECTION 5: THE ROLE OF A BUYER'S AGENT

Purchasing a home is often the largest and most complex financial transaction a family will make in their lifetime. Real estate agents often play an outsized role in supporting their clients, a role that spans beyond the real estate transaction itself. They not only help their clients identify homes available for purchase, but they are often the ones to get them financially prepared to qualify. From education on how to build and use credit to guidance on what funding programs are available to them, having a qualified real estate agent can often be the difference between a family having a chance of purchasing, before they ever step foot in an open house. This can be particularly true in the Latino community, where cultural nuances and language barriers can complicate an already complex transaction.

AREAS OF SUPPORT PROVIDED BY BUYER'S AGENTS:

- Credit education and counseling
- Education for down payments and closing costs
- Introductions to tax preparers and accountants
- Introductions to lenders
- Secure mortgage pre-approval
- Identify grants or assistance programs
- Provide market insight
- Negotiate fair contract terms
- Explain buyer's rights and responsibilities
- Manage inspections and explain findings
- Ensure closing documents and funding
- Manage all deadlines and terms of the purchase contract
- Keeping vendors on track and accountable
- Conduct a final walk-through before closing
- Provide options for asset protection and estate planning

Often, good buyer's agents work with a family for months, sometimes years, before they are actually ready to purchase a home. As shown throughout this report, buyer's agents are invaluable throughout the homebuying process. Buyers often experience significant uncertainty, confusion, apprehension, and anxiety while trying to understand the real estate market, the process of finding a home, and feasible financing options. As Angel Hernandez (Denver, Colorado) said, "It falls on us as real estate professionals to educate people and make sure that they are aware of their options."

COMPENSATION FOR BUYER'S AGENTS IS UNDER ATTACK

Recent class action lawsuits have challenged the long-standing real estate compensation model enabling sellers to cover the commissions of buyer's agents, alleging that sellers have been unfairly compelled to pay for buyer's agent services, leading to potential artificial inflation of home prices and increased indebtedness for buyers. However, this compensation model has allowed buyer-side agents to be compensated without adding additional out-of-pocket costs to the buyer and ensures both parties are fairly represented. If eliminated, homebuyers may be left unrepresented or unable to compete with those possessing more knowledge and resources.

WHAT'S AT STAKE?

Upper-hand for wealthy & institutional buyers: First-time buyers with modest wealth will likely face the most harm. In addition to the down payment, closing costs, and reserves, buyers will be saddled with the additional cost of paying for representation. This places a heavier financial burden on new entrants and risks widening societal disparities in homeownership. Buyers on the margin may need to delay their home purchase to save more money to pay for their agent, use a discount agency, or forgo representation altogether. Buyers who delay their purchase will end up paying more, perhaps substantially more, for their home down the line. More likely, many buyers will forgo professional representation, putting themselves at tremendous risk.



Increase in dual agency: The looming risk of increased dual agency is a cause for significant concern. A dual agency, in which the same agent represents the buyer and the seller, can lead to conflicts of interest. Listing agents, obligated to prioritize the seller's interests, may find themselves in a delicate position when representing both parties. This potential conflict compromises the fiduciary duty owed to each party, raising questions about the fairness of negotiations and the ability to secure the best possible terms for the buyer. Maintaining the integrity of buyer-side representation is an important part of ensuring that homebuyers receive unbiased advice.

Additional fair housing concerns: The absence of buyer-side representation for first-time homebuyers could expose them to financial burdens and complexities, potentially resulting in unfair practices and an inability to compete in the real estate market. This scenario might inadvertently give preference to certain types of buyers, exacerbating fair housing concerns.

Financing barriers: If buyer's agent representation cannot be financed through cooperation, one likely solution would be financing this cost as part of the buyer's mortgage, requiring a radical change in lending guidelines and consumer regulations. Even if underwriting guidelines change and the financing of agent commissions is permitted, this added cost will further burden an already unaffordable housing market. Borrowers who still qualify will have higher loan-to-value ratios, making their mortgages inherently riskier.

LOOKING AHEAD: A CALL TO ACTION

Adding additional hurdles to an already complex housing market will weaken the entire housing ecosystem. Real estate professionals and housing advocates play a crucial role in advocating for fair and equitable real estate practices. In light of the challenges posed by recent legal developments, it is imperative to actively engage with industry stakeholders, policymakers, and local communities to ensure that homebuyers have access to adequate representation. By participating in discussions, sharing insights, and promoting the importance of diverse and culturally competent representation, housing industry professionals can contribute to shaping a more inclusive and just real estate landscape.



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NAHREP 2024 Policy Priorities

The National Association of Hispanic Real Estate Professionals (NAHREP) 2024 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 on four main policy areas:

- 1. Housing Affordability**
- 2. Access to Credit**
- 3. Industry Best Practices**
- 4. Macroeconomic Issues**



1. HOUSING AFFORDABILITY

Housing affordability has reached its lowest point in a generation. The lack of affordable housing supply, particularly for first-time home buyers, continues to be at crisis levels, while the cost of obtaining a mortgage has risen. NAHREP supports policies to make housing more affordable, including using federal levers to encourage the building of new housing, creating new opportunities with existing properties, and lowering the cost of mortgage financing.

SUPPORT HOUSING DEVELOPMENT THAT IMPROVES HOMEOWNERSHIP

Incentivize states and localities to reduce zoning and regulatory barriers: Sometimes called “NIMBY-ism,” localities have long resisted calls to change local zoning and permitting rules to allow for higher-density residential environments. NAHREP believes the Federal Government should use as many levers as possible to ensure that localities reduce or remove restrictive zoning and other inhibitors that stand in the way of new residential construction and existing property rehabilitation. NAHREP supports incentive-based programs, like the pilot programs below, but recognizes that significant negative consequence programs may be necessary to address existing barriers.

Incentive-based pilot program renewals:

- **Pathways to Removing Obstacles to Housing (PRO Housing) Program:** Increase the annual funding made available to the Department of Housing and Urban Development’s (HUD) grant program known as the “PRO Housing Program.” In 2023, this program provided \$85 million in competitive grants to communities who identified and removed barriers to affordable housing production and preservation.
- **Thriving Communities Program:** This program was funded in the FY 2022 infrastructure law, as the Thriving Communities Network, an interagency initiative among the Departments of Transportation, HUD, Energy, Commerce, and Agriculture, as well as the General Services Administration and the Environmental Protection Agency to help local governments address housing needs as they develop a transportation project. Continued funding to support this work is necessary.

Increase the Department of Housing and Urban Development’s (HUD) Budget to increase program diversity to support homeownership: Today, Congress requires HUD to devote significant resources to supporting subsidized rental housing; however, resources should be made available by Congress to support homeownership initiatives. Moreover, resources should be provided to tie together initiatives for equitable housing that support both affordable rental opportunities and affordable homeownership initiatives.

- **Coordinate the Community Development Block Grant (CDBG) with Affirmatively Furthering Fair Housing Plans (AFFH):** The U.S. Department of Housing and Urban Development is currently revising two significant rules that govern how a community makes and funds its plans to house its residents, the Affirmatively Furthering Fair Housing (AFFH) rules and the Community Development Block Grant (CDBG) programs. When viewed in tandem, the Equity Plan portion of community obligations under AFFH, which assesses how Fair Housing concerns are addressed, should be incorporated into its budget and request for funds under the CDBG program. Coordination across these documents should be mandated, and HUD should emphasize the importance of homeownership opportunities in these plans.

Reduce capital and reserve requirements on Acquisition - Development - Construction lending for single family homes: The bank capital standard requiring 100 percent risk weighing for certain types of homebuilder finance should be relaxed to lower the cost of building new homes. Today, the Federal Reserve, FDIC, and the Office of the Comptroller of the Currency (OCC) still consider lending for the acquisition development and construction of single-family real estate to be highly volatile, notwithstanding current market conditions. Regulators should be required to reduce the artificial speed bumps that make funding scarce and expensive, given the dire shortage of available new homes for sale.

CREATING HOMEOWNERSHIP OPPORTUNITIES WITH EXISTING INVENTORY

Assumability: Interest rates today make the Federal Housing Administration's (FHA) assumable loan program more attractive than ever. This program allows prospective buyers to absorb a seller's mortgage balance at pre-2024 historically low interest rates. To improve both the program and uptake, NAHREP urges FHA to create and use an easy financing mechanism for homebuyers to finance the gap between seller mortgage amounts and sales price. This would make loans more easily assumable by qualifying consumers who lack sufficient cash resources. Additionally, increasing allowable mortgage servicer fees for completing mortgage assumption packages will encourage more lenders to market this product.

Rehabilitation: Rehabilitation loan programs can increase the availability of existing housing stock. Currently, many of the more affordable housing units are outdated and in need of repair, but owner-occupants don't have the cash on hand to repair them. NAHREP supports the Federal Housing Administration's (FHA) proposed improvements to the 203k program, making it easier to use and better sized to accommodate significant rehabilitation products. NAHREP supports this workstream and urges FHA to bring the improved 203k program to fruition by calling for rulemaking to be finalized as soon as possible.

LOWER THE COST OF MORTGAGE FINANCING

Eliminate Loan Level Price Adjusters: The invisible costs of upfront excess guarantee fees, also known as loan level price adjustments (LLPAs) and credit fees imposed by Fannie Mae and Freddie Mac (the GSEs) disproportionately burden Latino borrowers and other communities of color. Today, safer and sounder unwriting requirements, stronger private mortgage insurance policies, and improvements in housing counseling and language access created by the Qualified Mortgage Rule render these fees unnecessary.

Reduce GSE capital and reserve targets: NAHREP urges the Federal Housing Finance Agency (FHFA) and the GSEs to reduce arbitrary capital and reserve targets until there is a plan to remove the GSEs from conservatorship. Until then, consumers should not bear the burden of housing finance costs designed to meet high returns on investment targets. This would result in lower upfront guarantee fees and possibly eliminate loan level price adjustment fees, reducing mortgage loan pricing for consumers.

The Federal Reserve Board should re-evaluate its reduction in mortgage purchases: Over the last 18 months, the Federal Reserve Board has issued a series of interest rate increases, while reducing its ownership of mortgage-backed securities (MBS) and nearly eliminating new MBS purchases. This has created a disproportionate impact on the mortgage market, with mortgage interest rates increasing at an unprecedented speed, significantly faster than interest rates overall. NAHREP urges the Federal Reserve Board to use its targeted interest rate pricing power to drive down mortgage costs the same as it did from 2008 to 2020. By targeting new purchases of securities comprised of first-time homebuyers or other products that may entice existing homeowners to list and sell their homes to owner-occupant buyers.

2. ACCESS TO CREDIT

To better serve the growing population of Hispanic homebuyers, the lending environment must be conducive to their needs. It will be important to ensure accessibility for first-time homebuyers and create real lending incentives in Hispanic communities.

CREATING ACCESSIBILITY FOR FIRST-TIME HOMEBUYERS

Reduce capital standards under the Basel III Endgame Proposal: The proposed capital requirements set forth by the federal financial regulators for the largest 25 banks in the country are concerning, particularly in the proposed rule's impact on mortgages and lending to first-time homebuyers. The wide-ranging proposal includes recommendations that will significantly impact housing finance and homeownership. NAHREP is most focused on the impacts on balance sheet lending, mortgage servicing rights, the treatment of warehouse lines of credit, and other areas that may harm single-family homeownership. NAHREP urges regulators to avoid the negative impacts on housing and homeownership while still ensuring safe and prudently run banks.

Expediting the implementation of new credit scoring models: In 2022, the Federal Housing Finance Agency (FHFA) approved the implementation of two new credit scoring models, FICO 10T and VantageScore 4.0 to bring credit score competition to the mainstream mortgage market to better address borrowers with thin credit histories but strong credit characteristics. NAHREP urges the GSEs and FHFA to accelerate the implementation of this transition, which has been delayed indefinitely.

Greater adoption of “cash flow” underwriting: The GSEs and government-guaranteed mortgage market at large must continue to make advancements in refining and adopting cash-flow or bank statement-based underwriting for mortgages. This credit evaluation form is being used today as a substitute or supplement to a credit score analysis and should be more widely adopted. It is a precise measurement of a borrower's ability to manage their finances holistically. It provides nearly real-time insights into how a borrower allocates their income, rental payments, utility payments, and other regular expenses through their deposit and card accounts. The “cash flow” analysis provides a more comprehensive evaluation of the overall ability to repay a mortgage than the trailing measurement of a credit score. This form of credit review particularly positively impacts self-employed borrowers and entrepreneurs.

TARGETED LENDING IN HISPANIC COMMUNITIES

Community Reinvestment Act: For the first time in nearly 30 years, Federal regulators have updated the Community Reinvestment Act (CRA), a critical performance measurement mandating that federally regulated banks lend to the communities they serve, including in majority-minority census tracts; other lower-wealth areas; and areas where they generate deposits. NAHREP supports these updates and appreciates the inclusion of more expansive and updated parameters to lend to underserved communities across America.

Incentivize diversity in mortgage lending: While NAHREP supports efforts like the Community Reinvestment Act (CRA) requirements to better serve local communities, these regulations are not enough to encourage lenders to adequately serve the marketplace. To create an environment where mortgage lenders do more than the bare minimum to serve underserved communities, financial incentives are needed. Examples of financial incentives could be 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, and low-to-moderate income lending.

Improve Special Purpose Credit Programs: Guidance from federal banking regulators and the Consumer Financial Protection Bureau (CFPB) has allowed lenders to design race and ethnicity-conscious lending programs that give advantage to underserved and minority borrowers. However, creation, adoption, and take-up of Special Purpose Credit Programs (SPCP) have been slow to non-existent. When created, they are often offered in very limited geographies and have prescriptive rules that make them hard to navigate for consumers and real estate professionals alike. NAHREP supports the notion of SPCPs offering market lift to the housing finance ecosystem, and encourages continuing national conversations with regulators and lenders on program design and reach. SPCPs are strategic imperatives to meet the homeownership demands of growing diverse communities. The homeownership ecosystem needs swift regulatory approval of safe, sound, and vital SPCPs.

Enhance Language Access: Purchasing a home is often the single most complex financial transaction in a person's lifetime. Today, mortgage paperwork is officially only offered in English. Creating access for borrowers to obtain mortgage documents in their language of choice will reduce barriers to homeownership. Today, the FHA and the GSEs collect information on language access and housing counseling use through the required Supplemental Consumer Information Form (1103) attached to each mortgage application. NAHREP strongly supports the use of this form, allowing applicants to indicate if they have Limited English Proficiency (L.E.P.). NAHREP further urges lenders and real estate practitioners to provide tools to mitigate the L.E.P. impediment.

3. INDUSTRY BEST PRACTICES

Latinos play a critical role in homeownership growth, housing production, and the overall housing market. Ensuring the industry is prepared to serve the Latino market is essential for the country's homeownership rate and long-term economic growth. NAHREP wants to ensure that Latino homebuyers are adequately represented and protected against natural disasters and that Latino developers and the construction workforce have the tools and resources needed to build in their communities.

ENSURE REPRESENTATION AND TRANSPARENCY FOR CONSUMERS

Ensure independent representation for both buyers and sellers: Recent class action lawsuits across several states allege that real estate organizations have conspired to require home sellers to pay buyer's agent broker commissions at an inflated price. Settlements and jury verdicts have sided with plaintiffs in Missouri, a bellwether for cases in other states; however, penalties will not be finalized until Q2 or Q3 of 2024. The impacts of these class action lawsuits may disrupt how real estate agents and brokers are compensated, a system that has been in place for decades.

NAHREP is concerned about the impact these cases will have on consumers and the real estate industry at large, particularly on buyer agents' compensation. Buyer agents play a critical role in the homebuying process, particularly for first-time homebuyers, who often need more guidance.

To ensure that homebuyers have access to adequate representation, NAHREP will be advocating for:

1. Ensuring that buyer's agents have access to compensation that does not create additional costs and barriers for homebuyers in an already unaffordable market. Including the buyer's agent commission in the mortgage in addition to the sale will raise loan-to-value concerns and potentially other mortgage qualifying ratio concerns.
2. Real estate contracts that provide transparency, clarity, and consent for broker's commissions in real estate transactions.

PROTECT HOMEOWNERS FROM NATURAL DISASTERS

Ensure the availability of affordable homeowners' insurance: In many parts of the country, homeowner's insurance is becoming more expensive and less available. With less competition and limited coverage options, homeowners are seeing significantly higher costs. Existing and future homeowners must appropriately protect their homes with hazard insurance that mitigates loss. However, rising costs are pushing new and existing homeowners to reduce coverage, which is not the preferred solution. NAHREP supports the formation of a Federal Task Force or Commission to study the possibility of developing a Federal Cooperative National Catastrophe Insurance Product to ensure fair, responsible, and sustainable hazard insurance protection for homes across America.

Support the Administration's Climate Action Plan: NAHREP supports the expeditious deployment of funds made available to the EPA's Greenhouse Gas Reduction Fund, which sponsors three environmental justice grant competitions: the \$14 billion National Clean Investment Fund, the \$6 billion Clean Communities Investment Accelerator, and the \$7 billion Solar for All. NAHREP endorses set-asides within these agreements to help with energy-smart retrofitting, and low-cost financing for the adoption of energy-efficient technology in new home construction.

SUPPORT DEVELOPERS OF COLOR WHO BUILD IN THEIR COMMUNITIES

Hispanics represent 34% of the overall construction industry, and account for 50% of the labor force within the sector. Despite these numbers, Hispanics are markedly underrepresented in housing development, holding less than 1% of development roles. This disparity underscores the need for targeted support and development opportunities for Hispanic professionals within the construction and development industries.

Expand GSE Racial Equity Programs: Existing pilot programs, such as Freddie Mac's Develop the Developer program foster a more inclusive and equitable industry landscape, by providing developers of color with essential training and support. NAHREP urges the expansion of this program and encourages Fannie Mae to incorporate similar support mechanisms for builders of color into their racial equity strategies. This could be effectively integrated within their Sustainable Communities Partnership and Innovation Initiative by offering incentives like reduced rates on building loans.

Improve access to federal development contracts: Improve access for Hispanic-owned companies to secure federal government construction contracts by increasing transparency in the demographic makeup of companies that receive federal projects. For example, by expanding the Small Business Administration's (SBA) reporting requirements to include certain disaggregated demographic data about federal contracts (and subcontracts to the extent practicable) awarded to small business owners of color. Increasing transparency in federal contracts is a first step to providing a more equitable distribution of these projects.



4. MACROECONOMIC ISSUES

Ensuring access to affordable and sustainable homeownership opportunities often extends beyond the real estate transaction. Expanding access to small business capital, creating corporate and workforce diversity, and engaging equitable immigration practices all support an ecosystem that accelerates homeownership opportunities.

ACCESS TO SMALL BUSINESS CAPITAL

Expand access to capital for Hispanic-owned small businesses: Hispanic-owned businesses face more significant obstacles to capital relative to other cohorts and, as a result, grow slower and face wealth-building benefit delays. NAHREP supports its entrepreneur members and Hispanic business owners as they seek greater access to capital and opportunities to accumulate wealth through a more progressive tax code. NAHREP alongside its Hispanic business owners advocates for sensible tax legislation for business owners and targeted lending programs to give deserving companies the boost they need to achieve greater success.

AFFIRM DIVERSITY EQUITY AND INCLUSION EFFORTS

Create incentives for corporate diversity: In light of recent criticism and legislation against diversity, equity, and inclusion (DEI) efforts, federal action should be taken to not only legitimize but incent corporate DEI efforts. The spirit of DEI is not to lower the bar for less-than-qualified people to be gifted positions they did not earn, but rather to eliminate artificial barriers that have kept qualified people who come from historically disadvantaged communities from receiving fair access to professional opportunities. Many industries are largely self-selected, meaning that recruitment and hiring are driven by existing relationships. This is especially true in industries like real estate and financial services. As such, workforce diversification will not happen on its own and will require strategic hiring strategies. To support these efforts, NAHREP urges federal tax incentives and preference for government contracts, for companies that have successfully diversified their workforce and corporate leadership, including diversity in mentorship programs and internship opportunities.

Create transparency in public companies: To track corporate diversity efforts, NAHREP urges the passage of the Improving Corporate Governance Through Diversity Act of 2023, requiring public companies to annually disclose the demographic makeup of their boards and senior leadership and disclose hiring policies.

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. In recent years, restrictive immigration policies have decreased authorized immigration and as a result, shrunk an already decreasing labor force.

Pass Comprehensive Immigration Reform (CIR): In recognition of the investment immigrants have made to the American economy, NAHREP urges Congress to pass comprehensive immigration reforms, including increasing the number of immigrant visas available, providing a path to citizenship for existing immigrants who are undocumented or maintain temporary status, updating the existing family-based immigration system, revising employment-based visa rules, and other measures that support the modernization of our immigration system.

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.

Increase access to employment-based visas: The biggest risk to long-term housing production in the U.S. is the construction labor shortage, stifling business growth in the housing industry. NAHREP encourages Congress to increase the number of visas allocated for employment-based immigrants, allow employers to appeal for the retention of immigrant employees for longer periods, and create pathways to citizenship for existing workers.





TEXAS

Hispanic Americans

A CHANGE IN DEMOGRAPHICS OF LATINO HOMEBUYERS

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HISPANIC WEALTH PROJECT

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