



HISPANIC HOMEOWNERSHIP:

Understanding the Present and Embracing the Future



Introduction

Hispanic borrowers make up a large portion of current homeowners, and trends in wealth accrual and age only increase this demographic's presence in the housing market. COVID-19 accelerated homebuying for many demographics and Hispanic buyers are strong players in this recent surge. As more and more Hispanics have embarked on the homeownership journey, it is clear that accessibility is key in helping members of this community successfully navigate the mortgage process.

Now is the time for real estate and lending professionals to work diligently with, give appropriate guidance, and make sure Hispanic borrowers have all the information they need to participate in the housing market fully. Lenders can directly impact accessibility in the homebuying process, which is especially important because Hispanics have historically been underrepresented in this space. By making digital mortgage technology more inclusive, more consumers can move through the entirety of the mortgage experience with confidence.

Of course, it is important to remember that Hispanic homebuyers certainly are not a monolith, and there are many nuances within this community's homebuying trends. The current moment is an important one for Hispanic buyers, and the future will present nearly endless opportunities for mortgage professionals and Hispanic homeowners to build vibrant, impactful relationships.

1. Current Trends

The present moment is an exciting time as Hispanic homebuying power accelerates and as the United States sees record rates of Hispanics applying for mortgages and buying homes. The National Association of Hispanic Real Estate Professionals (NAHREP) notes that over the past decade, Hispanics have accounted for more than 50% of homeownership growth in the United States, with the current Hispanic homeownership rate at 48-49%.¹

In fact, there are presently 8.3 million Hispanics under the age of 45 who are considered “mortgage-ready,” or possessing the credit characteristics to qualify for a mortgage.² In the past year alone, Hispanic buyers added 543,000 households, an increase of 17.8% from the year before.³

These are encouraging statistics for both the Hispanic borrowers who are participating in the housing market, and for lenders who hope to tap into this expanding client base. Lenders can anticipate how to better serve consumers by considering hiring bilingual staff, implementing cultural training and awareness to reduce bias and increase collaboration, and familiarizing themselves with the wants, needs, and concerns that Hispanic borrowers have when searching for and financing a home. Further, lenders can adopt robust digital mortgage solutions to remove language barriers and support Hispanic borrowers’ access to a more straightforward mortgage loan process.

Understanding the current statistics around Hispanic homeownership and anticipating this community’s needs for the future will be key in building strong relationships with borrowers, ensuring that clients have positive experiences throughout the mortgage process, and guaranteeing efficiency and productivity from origination to close. Lenders can set themselves up for success by adopting these processes now.

There are presently 8.3 million Hispanics under the age of 45 who are considered “mortgage-ready”

2. The COVID-19 Curveball

The COVID-19 pandemic hit Hispanic workers particularly hard, leading to a challenging year for employment and finances. In 2020, due to overrepresentation in the service industry, the Hispanic unemployment rate reached 10.4%, largely in part because most employees in essential industries were significantly unable to work from home during the pandemic.⁴ In fact, Hispanics had an infection rate of 3x that of the non-Hispanic white population. While the pandemic has certainly impacted many communities and almost all industries, the data suggests that Hispanics are disproportionately affected by COVID-19.

The subsequent economic instability that emerged from the COVID-19 pandemic has disrupted Hispanic earning power and in some cases, made it more difficult for Hispanic homeowners to meet their mortgage payments. As of March 2021, 8.4% of Hispanic home loan borrowers were in forbearance, while 0.7% were at least 60 days delinquent.⁵

But, census data shows that despite the many challenges associated with the COVID-19 pandemic, Hispanic homeownership rates actually increased for the sixth consecutive year in 2020. Low interest rates, the desire to buy after extended time in quarantine, and the fact that one in three Hispanic consumers is currently in the prime homebuying years of 25-44 are all factors that have helped drive Hispanic homeownership in the time of the coronavirus.⁶



3. Barriers to Homeownership

Although COVID-19 is a more recent development, Hispanics have faced several barriers to financing the homeownership journey, and continue to encounter challenges. The wealth gap between Hispanics and non-Hispanic whites impacts not only homebuying, but nearly all aspects of financial stability. The Federal Reserve notes that in 2019, Hispanics had only \$1 for every \$5.20 held by non-Hispanic white families, meaning that in 2019, median Hispanic household wealth totaled \$36,050. In the same year, median white household wealth was \$189,100. That's a staggering \$153,050 difference.⁷

Other data also suggests that Hispanic borrowers often see the down payment as the most significant barrier to homeownership, with over 1 in 3 Hispanic renters reporting not enough in savings to cover a down payment.⁸ Take into consideration that saving for a down payment can be especially difficult in states with generally high costs of living, such as California and New York, and it is clear how the wealth gap impacts Hispanic consumers' ability to embark on homeownership.

Finally, the ramifications of discrimination and segregation still play out across entire communities, even as the United States moves further and further away from explicitly racist

legislation in housing. Racially restrictive covenants, for example, became popular after the Supreme Court ruled in 1926 that they were legally binding documents between private parties.⁹ These covenants allowed sellers - and in many cases, entire homeowners associations - to legally discriminate against buyers of color in attempts to keep middle-class communities white.

In the 1930s, redlining became another mode of discrimination against minority buyers. The government-issued Underwriting Manual intended to help lenders properly assess property values, but it also included language explicitly warning lenders against working with minorities,¹⁰ claiming that neighborhoods populated by citizens of color were inherently more financially risky. As a result, many banks denied would-be homebuyers in minority communities, thereby segregating entire cities and towns, and denying non-white buyers equal access to financial stability.

The Supreme Court later ruled in 1948 that racially restrictive covenants were unenforceable, and the 1968 Fair Housing Act outlawed both redlining and such covenants completely. Still, these exclusionary practices shaped neighborhoods and cities for decades to come, negatively impacting generations of potential homeowners and making the American Dream all but inaccessible for many citizens.





4. Building Wealth

While there are several modes by which families may pass down money to children and other relatives, homeownership is a major tool in accruing and passing on generational wealth, and in building safe, stable communities. Oftentimes, these forms of inheritance are intertwined. For example, parents who have significant savings, investments, or pensions are more likely to be able to help their children cover closing costs and down payments during new home purchases. Homeownership, in turn, provides a significant stepping stone for families and individuals to build their own financial security.

Homeownership is especially important for building wealth in the Hispanic community, where Hispanic homeowners have 28 times the wealth as Hispanic renters.¹¹ Notably, more than half of Hispanic renters plan to purchase a home in the next five years, and the number of Hispanics who own residential investment properties increased by about 24% over the past decade.¹² The 2021 Hispanic Wealth Project survey indicates that Hispanics are twice as likely to choose real estate investments as their primary investments than non-Hispanic whites,¹³ meaning that Hispanics benefit not only from owning their own residences, but also accumulate wealth by participating in the residential rental space.

The future of Hispanic homeownership is exciting, as Hispanic homebuyers will drive the market significantly in coming decades.

5. Looking to the Future

The future of Hispanic homeownership is exciting, as Hispanic homebuyers will drive the market significantly in coming decades. With expectations that they will shape the landscape of the housing industry, the Urban

Institute estimates that over the next 20 years, 70% of new homeowners will be Hispanic.¹⁴ More than ever, consumers will expect reliable, seamless, and transformative technology that simplifies the mortgage process and efficiently guides borrowers through each step of homebuying.

A large component of this growth has to do with age demographics. One in three Hispanics is in current homebuying years, or ages 25-44. What's more, almost half (43.6%) of Hispanic homebuyers were under the age of 34, compared to 37.3% of the general population.¹⁵ Further, the average age for Hispanic Americans is 29, which is about 14 years younger than the general population.¹⁶ Given these trends in age, it makes sense that as younger Hispanics hit other milestones, such as completing college or graduate degrees, entering and receiving promotions in the workplace, and/or planning families, the next logical step is buying a home.

Another trend that is allowing younger Hispanic buyers to break into the housing market is that on average, Hispanic households have lower rates of student loan debt, owing a median of \$17,600, compared to \$30,000 for Black students and \$23,000 for non-Hispanic white students.¹⁷ In a moment where young homebuyers from all backgrounds often struggle with balancing student debt with mortgage payments, Hispanics with little or no student loans may have an advantage.

Additionally, the Federal Housing Finance Authority's recent push to address racial equity and boost homeownership in underserved communities will likely increase the number of Latino customers who enter the market. In August 2021, the FHFA proposed new affordable housing goals for Fannie Mae and Freddie Mac, focusing on low- and moderate-income families, minority communities, and other traditionally underserved groups.¹⁸ These initiatives are designed to help remedy the disastrous effects of generations of housing discrimination and socioeconomic disparities in communities that have historically had less access to homeownership. With these goals in place, Hispanic consumers will likely gain new resources for accessing affordable housing.

6. Technology as an Equalizer

Technology has the potential to play an important role in how Hispanic borrowers engage with the homebuying process. Digital solutions that prioritize options for Spanish-speaking users help mortgage professionals reach more markets and build trusting relationships with clients. For example, finance solutions that allow clients to toggle to Spanish and offer tutorials, infographics, and chatboxes in Spanish increase accessibility and decrease confusion in an already overwhelming process. With more easy-to access information on demand, Hispanic borrowers can more fully participate in each aspect of the homebuying process, from initial home shopping to closing.

nCino offers the Bilingual functionality on the Mortgage product, which allows borrowers to submit loan inquiries in Spanish. Bilingual ensures that the loan inquiry form, landing page, and welcome email to the borrower are all in Spanish, with the application to follow in English to be completed in accordance with the lender's existing limited English proficiency (LEP) policy.

Technology that allows users to explore homes and financing options in languages other than English and redirect to Spanish-speaking mortgage professionals means a more inclusive, equitable homebuying journey. Mortgage loan officers build greater rapport with a large market, and more consumers can confidently engage in the homeownership journey. This is an excellent opportunity for lenders to expand their reach in this traditionally underserved market.



**Get started today -
It's simple.**

contact@ncino.com

1: The 2020 State of Hispanic Homeownership Report.

Available from: <https://nahrep.org/shhr/>

2: The 2020 State of Hispanic Homeownership Report.

Available from: <https://nahrep.org/shhr/>

3: Ibid

4: Ibid

5: The 2021 State of Hispanic Wealth Report.

Available from: <https://hispanicwealthproject.org/annual-report/>

6: The 2020 State of Hispanic Homeownership Report.

Available from: <https://nahrep.org/shhr/>

7: Federal Reserve. (2020, November 17). Survey of Consumer Finances.

Available from: <https://www.federalreserve.gov/econres/scfindex.htm>

8: The 2021 State of Hispanic Wealth Report.

Available from: <https://hispanicwealthproject.org/annual-report/>

9: "Racial Covenants, A Relic of the Past, are Still on the Books Across the Country."

Available from: <https://www.npr.org/2021/11/17/1049052531/racial-covenants-housing-discrimination>

10: Brai Odion-Esene and Rachel Witkowski. (2021, December 7). "What is Redlining in Real Estate?"

Available from: <https://www.forbes.com/advisor/mortgages/what-is-redlining/>

11: The 2021 State of Hispanic Wealth Report.

Available from: <https://hispanicwealthproject.org/annual-report/>

12: Ibid

13: Ibid

14: Laurie Goodman and Jun Zhu. (2021, February 25). "The Number of Hispanic Households will Skyrocket by 2040. How Can the Housing Industry Support Their Needs?"

Available from: <https://www.urban.org/urban-wire/number-hispanic-households-will-skyrocket-2040-how-can-housing-industry-support-their-needs>

15: Janet Alvarez. (2021, June 26). "The Future of Homeownership is Latino."

Available from: <https://www.cnn.com/2021/06/26/the-future-of-homeownership-is-latino.html>

16: Ibid

17: The 2021 State of Hispanic Wealth Report.

Available from: <https://hispanicwealthproject.org/annual-report/>

18: James Kleiman. (2021, August 21). "FHFA proposes ambitious housing goals for GSEs."

Available from: <https://www.housingwire.com/articles/fhfa-proposes-ambitious-housing-goals-for-gses/>



ncino.com