



**HWP**

**HISPANIC  
WEALTH  
PROJECT**

**2018**  
**annual report**

## acknowledgements

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HISPANIC  
WEALTH  
PROJECT

Established in 2012, the NAHREP Foundation, dba the Hispanic Wealth Project, is a non-profit charitable organization whose mission is to advance sustainable Hispanic homeownership through engagement in strategic efforts focused on Hispanic workforce participation in housing, small business development and wealth building.

## table of contents

<b>1</b>	<b>Executive Summary</b>	<b>p. 4</b>
<b>2</b>	<b>Homeownership</b>	<b>p. 8</b>
	Overview of Hispanic Homeownership	
	Requirements to Achieve Component Goal #1	
	Key Tactics	
<b>3</b>	<b>Entrepreneurship</b>	<b>p. 12</b>
	State of Hispanic Small Business	
	Requirements to Achieve Component Goal #2	
	Key Tactics	
<b>4</b>	<b>Savings and Investment</b>	<b>p. 15</b>
	Hispanic Participation in Non-Cash Financial Assets	
	Requirements to Achieve Component Goal #3	
	Key Tactics	
<b>5</b>	<b>NAHREP-Recognized Initiatives – Individual Partner Commitments</b>	<b>p. 17</b>
<b>6</b>	<b>NAHREP-Driven Initiative – The NAHREP 10</b>	<b>p. 24</b>
<b>7</b>	<b>Federal Policy</b>	<b>p. 25</b>
<b>8</b>	<b>Conclusion</b>	<b>p. 26</b>
<b>9</b>	<b>End Notes</b>	<b>p. 27</b>

# EXECUTIVE SUMMARY

## project background

In 2014, the National Association of Hispanic Real Estate Professionals® (NAHREP®) first published the Hispanic Wealth Project™ (HWP) Blueprint with an ambitious goal to triple Hispanic household wealth by 2024 in response to the great recession where Hispanics lost two-thirds of household wealth. The HWP Blueprint outlined three primary areas of focus: homeownership, small business, and savings and investment. The plan additionally referenced two distinct types of initiatives: **NAHREP-recognized** and **NAHREP-driven**. NAHREP-recognized initiatives are efforts undertaken by industry partners, which are monitored by the HWP. NAHREP-driven initiatives are undertaken by NAHREP or the HWP directly. In both cases, the resulting initiatives and their progress are included in the HWP Annual Report and are categorized by component goal.

The HWP's initial concept included an expansive outline for all three key components. Over time, the project goals have evolved to address targeted needs within the larger categories.

## HISPANIC WEALTH PROJECT COMPONENT GOALS

1

### HOMEOWNERSHIP,

because it is the primary vehicle for wealth creation for the middle class and core to NAHREP's mission



### goal

Increase home equity wealth by achieving a Hispanic homeownership rate of 50 percent or greater

2

### ENTREPRENEURSHIP,

because small business is the engine that drives the U.S. economy and NAHREP's membership is comprised of successful small business owners who have gained wealth by establishing and growing their businesses



### goal

Increase the wealth generated from small businesses by improving the number of Hispanic-owned businesses with \$10 million or more in annual revenue

3

### SAVINGS & INVESTMENT,

because the NAHREP membership is a microcosm of the professional Hispanic community for which an understanding of financial management and investment has not sufficiently materialized



### goal

Increase the wealth created from savings and investments by achieving broad adoption of the NAHREP 10 Disciplines

## overview

The early twentieth century ushered in dramatic changes to the U.S. economy. Industry began to supplant Agriculture as the country's primary source of employment and U.S. expansion as an economic power led to increased prosperity. Technological advancements acted as disruptors ushering in the birth of the automotive and aviation industries.

Between 1900 and 1915, more than 15 million immigrants arrived in the United States. This was about equal to the number of immigrants who had arrived in the previous 40 years combined.<sup>1</sup> This wave of immigrant labor fueled the growth of the industrial workforce. These early twentieth century decades of change fundamentally impacted American commerce, ultimately enabling the prosperity of future generations.

A little over a century later, technological innovation and immigrant contributions are once again revving the country's economic engine and forcing current industries to rethink how they operate in order to remain relevant and profitable. These environmental changes to the U.S. economic structure will influence how Hispanics and other Americans generate personal and intergenerational wealth.

In *Popular Government: Its Essence, Its Permanence, Its Perils*, President William H. Taft recalls, "Next to the right of liberty, the right of property is the most important individual right guaranteed by the Constitution and the one which, united with that of personal liberty, has contributed more to the growth of civilization than any other institution established by the human race."<sup>2</sup>

Taft was acutely aware of the role of property as a necessary building block for wealth creation, for both nations and individuals. Homeownership, and the equity it provides, is this first critical element in increasing personal net worth. Today this notion holds true as 68.6 percent of median U.S. household wealth is in an individual's home equity.<sup>3</sup> The balance of remaining net worth comes from stocks and bonds, savings, and durable goods. As of 2013, the most recent Census data available, the U.S. median household wealth was \$80,039, which was \$67,581 more than that of Hispanics.<sup>4</sup> As Hispanics are such an important element of the U.S. economy, this disparity jeopardizes the overall financial wealth being of the country. The disparity of wealth reached a low point following the Great Recession when Hispanic median wealth fell by two-thirds to only \$8,348.<sup>5</sup> This situation acted as a catalyst for NAHREP and the NAHREP Foundation to take a leadership position by devising an initiative that would help close the wealth gap for Hispanic families.

*"The institution of private property is what has led to the accumulation of capital in the world."*

-William H. Taft, 27<sup>th</sup> President, United States

## homeownership

Homeownership growth continues its positive momentum as Hispanics increase their rate of homeownership for the third consecutive year. In 2017, Hispanics achieved a rate of 46.2 percent homeownership, with a total of 7,472,000 Hispanic homeowners.

Hispanics have been responsible for 46.5 percent of net U.S. homeownership gains since 2000 and are expected to continue to drive growth for the foreseeable future.<sup>6</sup> Just as Hispanics have been the primary driver of U.S. homeownership gains over the past two decades, homeownership has been the primary driver of Hispanic wealth creation and remains the linchpin in a wealth generation strategy.



## small business

Hispanics continue to be an engine of growth for U.S. small business with notable contributions coming from Latinas and immigrants under the age of 34. Immigrants in general are almost twice as likely as native-born to become entrepreneurs.<sup>7</sup> Of Latino-owned businesses with \$1 million or more in revenue, 86 percent are owned by immigrants under the age of 34. **Latina entrepreneurs own 17 percent of all women-owned businesses and represent 50 percent of the growth in Latino small business starts overall.**<sup>8</sup> However, Hispanic-owned firms continue to face challenges scaling above \$1 million or more in revenue and sourcing external capital to fund business starts or growth.

## savings and investment

Savings and investment continues to be an area of opportunity for Hispanics. **Only 29.7 percent of Hispanic families have retirement accounts as compared to 60.4 percent of non-Hispanic White families.**<sup>9</sup> The preponderance of Hispanics as entrepreneurs could be one reason for under-participation. This suggests an opportunity for education regarding self-employed retirement plans and other investment vehicles for entrepreneurs.



## MEDIAN HOUSEHOLD WEALTH: WHITE VS HISPANICS

SOURCE: Federal Reserve Bank

## hispanic wealth data and trends

The substantial disparity persists between the household wealth of Latino families and that of non-Hispanic White families. In 2011, the median White household had \$111,146 in household wealth while the median Hispanic household had only \$8,348.<sup>10</sup> In 2013, both groups experienced gains, but the gap further widened with White household wealth at \$141,900 and Hispanic household wealth at \$13,700,<sup>11</sup> making median White household wealth 10 times that of Hispanic households. In 2016, the median wealth of Hispanic households increased to \$20,600 while that of non-Hispanic White households increased to \$171,000.

While median net worth rose for all demographic groups between 2013 – 2016, gains for Hispanic households were proportionally larger (46 percent) than those of non-Hispanic White households (17 percent). Despite the large percentage gains for Hispanic families, the White - Hispanic wealth gap rose from \$132,200 in 2013 to \$150,300 in 2016.

For households at the margins, the gap is more pronounced. In 2016, 13 percent of Hispanic families had zero or negative net worth compared to only 9 percent of non-Hispanic White households.

Increased income and educational attainment are important elements in bridging the wealth gap but do not guarantee owned wealth. In 2017, median Hispanic household income rose to \$47,675, while the number in poverty further declined to 19.4 percent.<sup>12</sup> The percentage of Hispanics over the age of 25 who have earned a bachelor's degree or higher increased to 15.3 percent, from 4.8 million to 5 million. The number of Hispanics with an advanced degree also increased from 1.5 million to 1.6 million. Notwithstanding these gains, middle income non-Hispanic White households own ten times as much wealth as middle-income Latino households further highlighting the disconnect between earned income and owned wealth.<sup>13</sup>

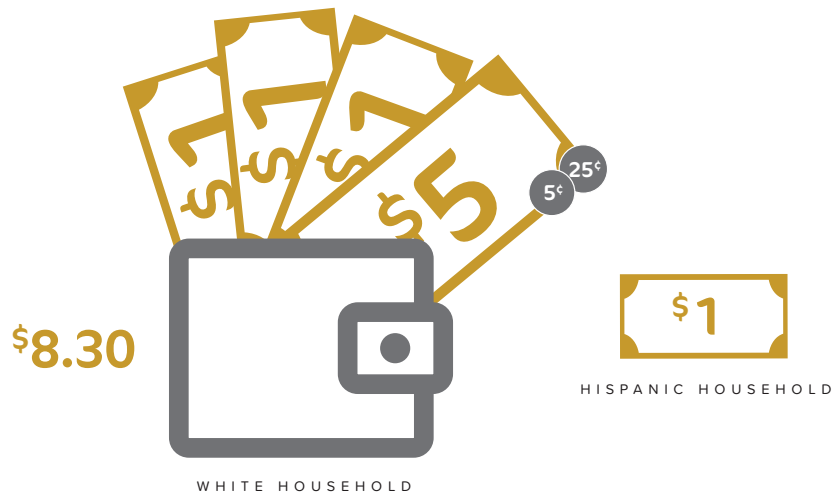
Hispanics continue to face obstacles to bridging the wealth gap further widened by the Great Recession when Hispanics lost two-thirds of their household wealth. The Hispanic Wealth Project seeks to level the playing field so that Hispanics have an equal opportunity to experience prosperity and achieve the American Dream.

*“The American Dream is that any man or woman, despite his or her background, can change their circumstances and rise as high as they are willing to work.”*

-Fabrizio Moreira, Ecuadorian Politician, Businessman

### MEDIAN HOUSEHOLD WEALTH GAP: WHITE VS HISPANICS

SOURCE: Federal Reserve Bank



### □ DID YOU KNOW?

Only 12 percent of Latino businesses access bank loans, compared to 18.4 percent for White, 15.3 percent for Asian, and 14.2 percent for Black-owned firms. Of these demographics, Latino firms currently have the lowest number of government-backed loans. Source: U.S. Census Bureau.



# HOMEOWNERSHIP

**COMPONENT GOAL #1:** Increase home equity wealth by achieving a Hispanic homeownership rate of 50 percent or greater.

## overview of hispanic homeownership

In 2017, 7,472,000 Hispanics owned a home, an increase of 167,000 from 2016's numbers.<sup>14</sup> This increase equates to a **Hispanic homeownership rate of 46.2 percent for 2017**, an increase of 0.2 percent from 2016's percentage.

**Hispanics are the only demographic to have increased their rate of homeownership for the last three consecutive years.**

Hispanics accounted for 15 percent of the net homeownership gains in 2017, a smaller percentage than has been the case in recent prior years. However, looking at the data over a broader period of time, **Hispanics have been responsible for 46.5 percent of net U.S. homeownership gains since 2000.**<sup>15</sup>

Currently, the median Hispanic household is a renter, without access to the wealth generating properties home equity has to offer. However, at a 50 percent Hispanic homeownership rate, the median Hispanic household would be an owner household, unlocking access to a primary source of wealth creation.

### HISPANIC HOMEOWNERSHIP RATES (2017)

SOURCE: U.S. Census Bureau



## capacity

**Hispanics continue to drive the nation's workforce growth, accounting for 79.7 percent of labor force growth from 2007 – 2017.** At 66.1 percent, Hispanics have a higher labor force participation rate than any other demographic. For every one non-Hispanic White worker added to the labor force in 2017, two Hispanic workers were added to the labor force. At a median native-born age of 19 years, and a combined native- and foreign-born median age of 28, Hispanics will continue to play a material role in driving the country's labor force growth for the coming years.

Median Hispanic household income increased 4.3 percent to \$47,675, while the number in poverty further declined to 19.4 percent.<sup>16</sup> In general, Millennials earn about \$10,000 less than their Boomer counterparts did at their same age (25 to 34 years old). The income gap is more pronounced for current Millennial cohorts differentiated by ethnicity, with non-Hispanic White Millennials earning a median income of \$47,683 in comparison to Hispanic Millennial median income of \$30,436. Interestingly, Hispanic Millennials actually out-earn their Boomer counterparts by 29 percent, while non-Hispanic White Millennials have lost ground on income generation (-21 percent) as compared to their Boomer counterparts.<sup>17</sup>





Income gains for Hispanic Millennials as compared to their Boomer counterparts can be partially attributed to the increased opportunity by virtue of educational attainment. The percentage of Hispanics over the age of 25 who have earned a bachelor's degree or higher increased to 15.3 percent, from 4.8 million to 5 million. The number of Hispanics with an advanced degree also increased from 1.5 million to 1.6 million. These data are positive indicators toward increasing homeownership potential as Millennials age into their prime home buying years and earn income that will afford them the capacity to purchase a home.

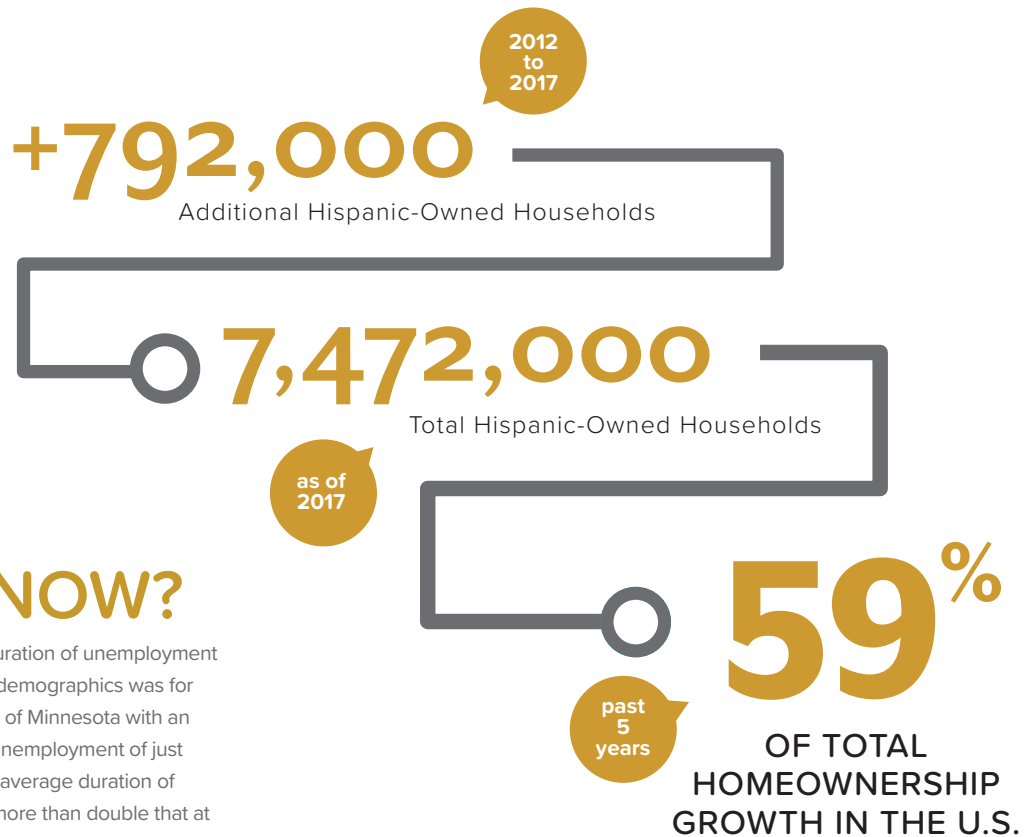
## sentiment

Hispanic consumer feedback suggests an optimistic outlook on the housing market, despite growing concerns about specific elements within the economy. Most Hispanics (81 percent) agree that owning a home is a good investment long term.<sup>18</sup>

Hispanics face barriers that, if addressed, could open homeownership opportunities to a broader segment of the population. Housing inventory constraints coupled with a shortage of culturally competent real estate professionals in the industry pose real barriers to increased Hispanic homeownership. Primary among concerns for Hispanics is the belief that they have an insufficient amount for a down payment. For some, the barrier is perceptual, representing an opportunity for the industry to provide education to inform prospective home buyers of their low-down payment options. For those who need down payment assistance, the challenge to industry participants is to continue to make these necessary options available, and to inform consumers that they exist.

## HISPANIC HOMEOWNERSHIP GROWTH SINCE 2012

SOURCE: U.S. Census Bureau



## □ DID YOU KNOW?

In 2016, the lowest duration of unemployment across all states and demographics was for Hispanics in the state of Minnesota with an average duration of unemployment of just 5.8 weeks. The state average duration of unemployment was more than double that at 14.2 weeks.

On an annual scale, the duration of unemployment for Hispanics remains the lowest amongst all groups at 22.3 weeks, with Hispanic men showing the shortest average duration of unemployment at 21.2 weeks.

## component goal #1

<i>Requirement</i>		<i>Objective</i>
Consistent access to low down payment mortgage financing.	1	Obtain commitments from additional lenders, government and other entities that will increase the supply of low down payment mortgages.
An increase in housing inventory especially in the stock of affordable homes.	2	Obtain commitments from government, builders, servicers and other entities to deploy and support programs that increase the supply of affordable housing stock.
An increase in the number of formally-trained Hispanics working in the mortgage and real estate industries.	3	Secure commitments from – and partnerships with – entities that can support the recruitment of Hispanics into the real estate and finance industries, and can support Hispanic professional growth through training and mentorship.
Practical consumer protection that reduces the risk for predatory activity while simultaneously promoting fair housing and improving credit access.	4	Foster and support programs and policies that ensure an appropriate balance between consumer protection and mortgage access.
Down payment assistance and a plan to assist more Hispanic families with access to available programs.	5	Increase the number of first-time buyers by supporting programs and policies that expand down payment assistance programs, increase awareness of program availability to Hispanic families and enhance Hispanic borrower access to first-time home buyer mortgage programs.
Housing counseling that improves homeownership sustainability.	6	Identify and support pre-purchase housing counseling programs for all first-time buyers, and specifically seeks to endorse programs that align with Hispanic cultural and demographic patterns and characteristics.
Strong Community Reinvestment Act (CRA) and affordable housing goals that are met through programs that truly serve communities and home buyers.	7	Recognize and support innovative and successful CRA programs and to endorse policies that establish ambitious CRA and affordable housing goals that serve communities and home buyers.
The continuation of government policies, including the mortgage interest tax deduction, that favor homeownership outcomes.	8	Support policymakers who will work to preserve the mortgage interest deduction and will otherwise advance initiatives that support homeownership outcomes.

## key tactics

While each of the eight objectives attached to the homeownership component goal remain important, the areas of critical focus are relative to the need to address housing inventory shortages, availability of low-down payment mortgage products, a shortage of culturally competent professionals, access to credit, and public policy changes that will decrease the wealth gap.

**Housing Inventory** – With available housing stock at historic lows, a shortage of housing inventory continues to be a primary barrier to homeownership attainment. In its 2018 Policy Position statement, NAHREP notes inventory shortages as a concern and urges a decrease in the regulatory burdens and resulting costs to build affordable homes.

**Culturally Competent Professionals** – Hispanics have been a primary driver of homeownership, accounting for 46.5 percent of U.S. homeownership gains since 2000.

In a NAHREP survey of top producers, nearly 40 percent of respondents indicated that Spanish language was referenced as part of the transaction, with 25 percent indicating it was the primary or sole language used in the transaction.

The home purchase process is already very complex. This nuanced language element necessitates professional guidance from a culturally competent advisor to help navigate this process for many Hispanic consumers. While progress has been made by some industry participants, on the whole, estimates indicate that only 7 percent of real estate agents and 4 percent of mortgage professionals are Hispanic.

**Access to Credit for First-Time Buyers** – More than half of Hispanics who owned their home purchased it with a down payment of less than 10 percent, as compared to 37 percent of non-Hispanic Whites.<sup>19</sup> Affordable, low down payment financing is critically important to continued Hispanic homeownership gains. This translates to a heightened need to preserve the programs offered by the Federal Housing Administration (FHA), and to maintain low down payment conventional products like Fannie Mae's HomeReady® Mortgage or Freddie Mac's Home Possible Advantage® both of which allow for 3 percent down payment.

## FEAR OF LOAN DENIAL: WHITE VS HISPANIC

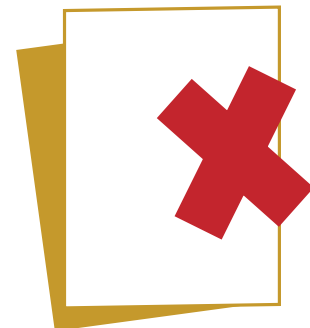
SOURCE: Federal Reserve Bank

At 15 percent, non-Hispanic Whites have the lowest percent of being denied or fear of being denied a loan, compared to 32 percent of Hispanics.

15%  
WHITES



32%  
HISPANICS





# ENTREPRENEURSHIP

**COMPONENT GOAL #2:** To increase the wealth generated from small businesses by improving the number of Hispanic-owned businesses with \$10 million or more in annual revenue.

## state of hispanic small business

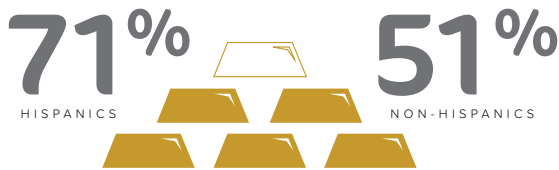
Latino entrepreneurs, native- and foreign-born, continue to fuel U.S. small business growth. Immigrant entrepreneurs, in particular, accounting for an increasing percent of new business owners. New business starts by immigrant entrepreneurs have increased from 13 percent in 1996 to nearly 30 percent in 2016, the highest share of overall business starts in 20 years. Immigrants are almost twice as likely as native-born to become entrepreneurs.<sup>20</sup> Of scaled Latino-owned businesses, those with \$1 million or more in revenue, 86 percent are owned by immigrants under the age of 34.<sup>21</sup> This overrepresentation of young Hispanic owners in successful, growing businesses suggests positive outcomes in years to come.

The share of Latino entrepreneurs has also risen from 10 percent in 1996 to 24 percent, representing the largest increase of all demographic groups.<sup>22</sup> **Latina entrepreneurs own 17 percent of all women-owned businesses and represent 50 percent of the growth in Latino small business starts overall.**<sup>23</sup> At an annual growth rate of 7 percent, Latinas are an increasingly influential segment of small business owners.<sup>24</sup>

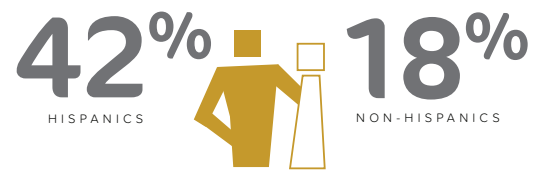
When it comes to start-up capital, 56.4 percent of Latino firms needed less than \$50,000 to fund their initial business start-up.<sup>25</sup> However, Hispanic entrepreneurs indicate they rely more heavily on family and friends as a source of capital funding than do non-Hispanic business owners.<sup>26</sup> This may be due in part to fear of denial as Hispanics are twice as likely to fear being denied for a loan as non-Hispanic Whites.<sup>27</sup>

**Nearly 75 percent of Hispanic-owned real estate related firms use personal and family generated funds as capital, as compared to 14.4 percent for non-Hispanic Whites.**<sup>28</sup> Only 12 percent of Latino-owned firms overall make use of bank loans, compared to 18 percent of non-Hispanic White-owned firms. This difference represents an opportunity for industry to provide much needed capital to Hispanic small business owners.

Latino-owned businesses generated a total of \$473 billion in revenue and 2.3 million jobs.<sup>29</sup> However, if Latino-owned firms grew at the same rate as non-Latino owned businesses, they would be generating \$1.38 trillion.<sup>30</sup>



Small business owners expect revenue to increase



Small business owners pass businesses on to a family member



Entrepreneurs leverage social media tools to run their business

## HISPANIC SMALL BUSINESS OWNER CHARACTERISTICS

SOURCE: Bank of America

## component goal #2

### Requirement

### Objective

Education programs that create awareness of small business formation opportunities and guide formation activities.

1

- (1) Identify existing education programs with Spanish-language content that can be accessed via the internet.
- (2) Support curriculum development that offers learning on small business fundamentals, and make such curriculum available for use by a wide variety of public and private institutions.

Mentorship, by which successful Hispanic small business owners provide visible and tangible evidence and support for success, and peer-to-peer groups that offer “mastermind” coaching.

2

- (1) Identify business leaders who have worked through many of the start-up challenges faced by Hispanic businesses and encourage such leaders to share their stories.
- (2) Be a forum for the exchange of ideas and for matching mentors and protégés in program aimed to give Hispanic entrepreneurs clearer roadmaps for business success.

Incubators for technology and financial services entrepreneurship that allow small business owners to collaborate.

3

- Build and sustain forums for collaboration where entrepreneurs can gather, examine business challenges and learn to apply proven solutions.

Availability of capital for small business lending.

4

- Identify, foster and publicize lending programs that address specific community, cultural and economic patterns.

Hispanic access to small business lending programs.

5

- Close the gap between lenders and would-be borrowers through outreach programs that encourage small business lenders to reach deeply into Hispanic communities, and that provide Hispanic entrepreneurs with the confidence and capability to apply for business financing.

## key tactics

**Research** – Hispanic businesses are growing at a faster rate than any other demographic and also fail at higher rates than other small businesses or do not scale for growth. Additionally, consistent research contributions are needed in order to properly diagnose the specific needs of these small businesses and to better address scalability challenges.

**Business Education & Mentorship** – SLEI is a research initiative within the Stanford Graduate School of Business which offers a program aimed at Hispanic small business owners with revenues in excess of \$1 million who matriculate through an intensive educational program and are subsequently matched with mentors who are themselves successful entrepreneurs. Given a substantial number of Hispanic businesses exist in Texas, California, New York, Florida, and Georgia, additional proactive efforts should be made to spur the creation of these kinds of programs across those specific geographies.

**Access to Capital** – Irrespective of size or success, Hispanic-owned firms tend to rely heavily on their own financial resources and those of family and friends for start-up capital, to the exclusion of utilizing other external capital funding mechanisms. This approach is likely impinging on growth potential. Additional resources are needed for Hispanic entrepreneurs in both credit education and in identifying sources of funding for their burgeoning businesses.

## □ DID YOU KNOW?

A **firm** is a business organization or entity consisting of one domestic establishment (location) or more under common ownership or control. A firm with paid employees includes workers on the payroll excluding sole proprietors and partners. All establishments of subsidiary firms are included as part of the owning or controlling firm. For the economic census, the terms “firm” and “company” are synonymous.



# SAVINGS & INVESTMENT

**COMPONENT GOAL #3:** Substantially increase the Hispanic wealth created from savings and non-cash financial assets.

## hispanic participation in non-cash financial assets

While Hispanic participation in financial services vehicles is improving, Hispanics at all income brackets under invest. Only 29.7 percent of Hispanic families have retirement accounts as compared to 60.4 percent of non-Hispanic White families.<sup>31</sup>

In aggregate, Hispanic retirees are less likely than non-Hispanic Whites to have some form of retirement savings such as a pension, 401(k) or IRA. Overall, 74 percent of Hispanic retirees have some form of private retirement savings, as compared to 86 percent of non-Hispanic Whites. For Hispanic Millennials, however, the situation is far worse. Although 66 percent of Millennials do not have retirement savings, **83 percent of Hispanic Millennials have nothing saved for retirement.**<sup>32</sup>

In addition, Hispanics are more likely to rely on family for support in retirement. More than any other demographic, Hispanics report business income or their children as a primary source of retirement support.

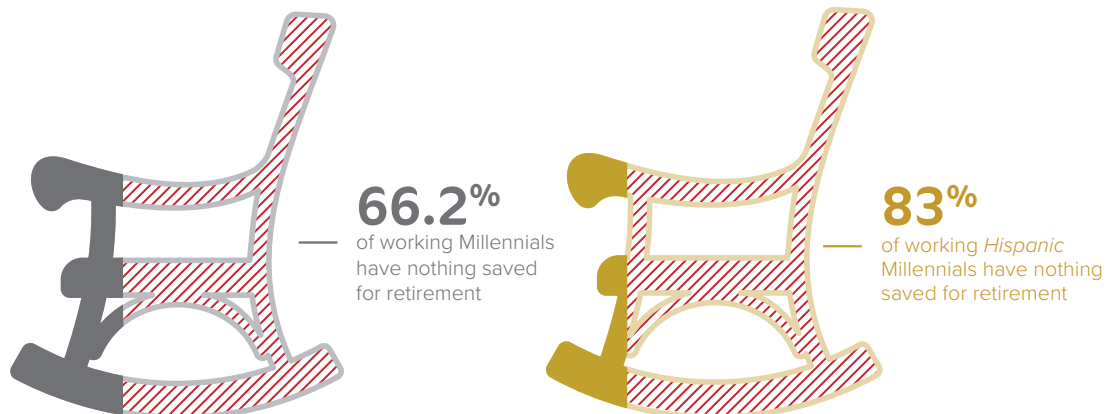
While the percent of unbanked Hispanic households has decreased considerably, perceptions about the banking industry's interest in serving Hispanic consumers varies from that of non-Hispanic Whites. Nearly one quarter of Hispanic households (23.3 percent) felt that banks were not interested in serving their household as contrast to 12.9 of non-Hispanic White households. However, nearly 30 percent of Hispanic households indicate their bank was a primary source of financial education or counseling, suggesting room for growth in services to be provided to Hispanic consumers.<sup>33</sup>

Millennials in particular have a positive impression of financial services, with 67 percent indicating they trust advice received from a financial services professional, more than any other age cohort.<sup>34</sup> Given 31 percent of Millennials check their bank account daily and do so largely by mobile, this presents a unique opportunity to provide education by leveraging their current consumption preferences.

While there's no clear data on this fact, since most Hispanics have some form of self-employment this could be a contributing factor to under-participation. Greater awareness about self-employed retirement accounts could make a substantial difference.

### MILLENNIAL SAVINGS FOR RETIREMENT

SOURCE: National Institute on Retirement Security



## component goal #3

<i>Requirement</i>		<i>Objective</i>
Investment education for small business owners.	1	Identify, endorse and deploy investment education that creates awareness and understanding of various investment instruments (e.g. stocks, bonds), explains the concepts underlying portfolio diversification, introduces channels for accessing investments, and provides tools for tracking and measuring investment risks and returns.
Training programs for employers to drive increases in Hispanic participation in retirement programs.	2	Identify and highlight consumer education materials that make investments intriguing for a Hispanic audience.
Tax policies that create incentives for diversified financial holdings.	3	Advocate for policies that create incentives for consumers who participate in employer-sponsored retirement programs (e.g. 401k), make investments (e.g. mutual funds), and otherwise diversify the repositories for their household wealth.
Awareness programs (including technology-based social media) that engender investment curiosity and offer clear paths for taking first steps.	4	Identify and support programs that make investing interesting and accessible, that lower minimum account balance requirements for the opening of an investment account, that allow small-dollar trades for low-risk investment experimentation, and that attach high-touch multi-lingual customer support to the process of establishing and sustaining an investment-firm relationship.

## key tactics

**Engagement** – Hispanics across all income brackets and educational attainment levels continue to under participate in use of non-cash financial instruments. Notably, Hispanics out-index all other demographics in participation on social media with 75 percent of all Hispanics who use the internet participating on Facebook, and 28 percent active on Twitter, making a social strategy critical to the success of any company working to engage Hispanic consumers.<sup>35</sup>

With respect to language, use of Spanish as a primary language has shifted to a bilingual or primary-English focus for most U.S.-born Hispanics. In-culture communication is still an important factor and could be helpful in designing an engagement strategy for this consumer segment.



# NAHREP-RECOGNIZED INITIATIVES INDIVIDUAL PARTNER COMMITMENTS

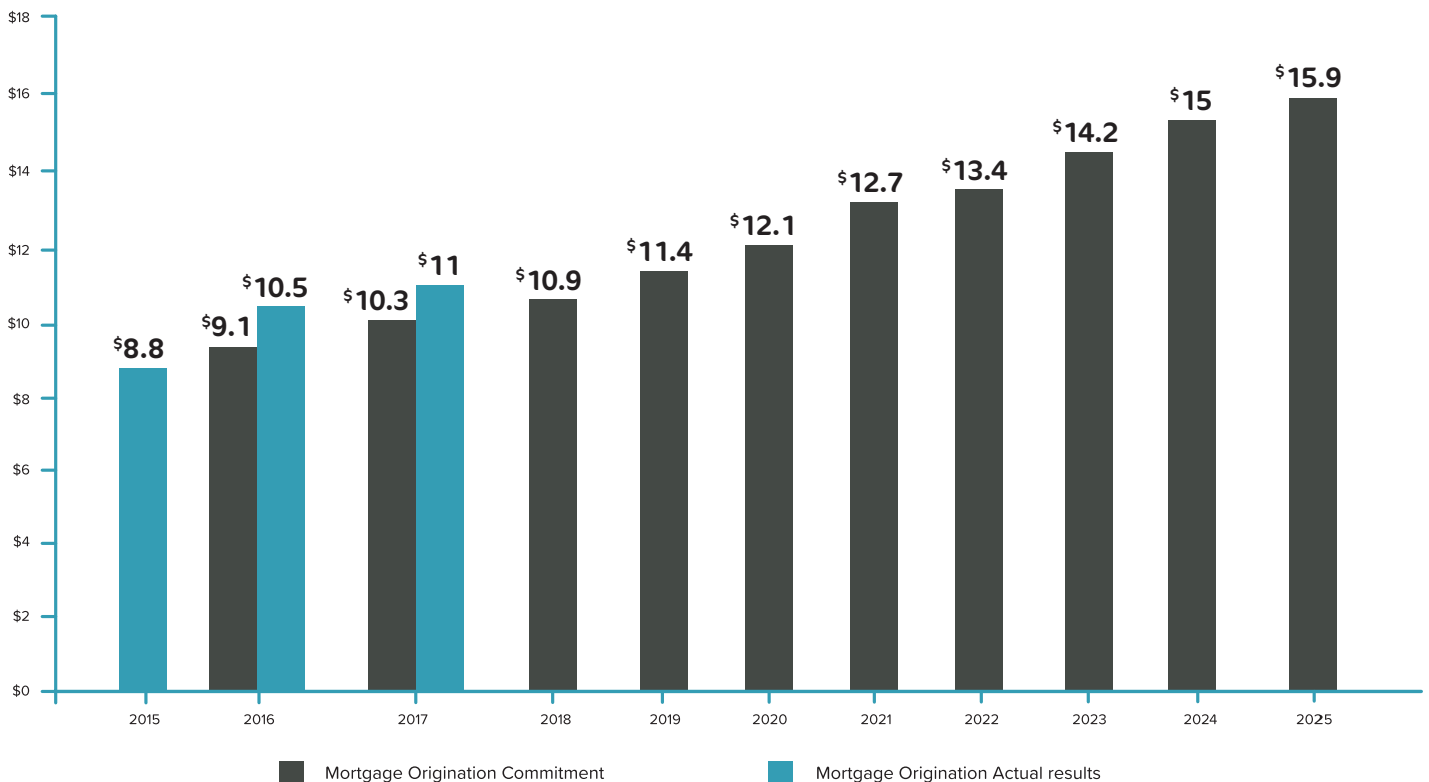
## Wells Fargo

Founded in 1852, Wells Fargo was initially established to serve the Western United States and has since grown its footprint and serves a much broader population. Wells Fargo's approach is in establishing a holistic relationship to help satisfy its customers financial needs and help them succeed financially. Today, Wells Fargo serves one in three households with over 5,000 branches and employs over 260,000 people worldwide.

As a strong participant of the Community Reinvestment Act, Wells Fargo works with multiple communities to provide financial education for small businesses, the Spanish-speaking community and for low to moderate income households. Wells Fargo also provides resources on investing, college saving and retirement as part of its full suite of product and educational offerings for consumers.

From the beginning, Wells Fargo has taken a leadership role through its commitment to the Hispanic Wealth Project by committing to support it financially at the highest level. In addition, it also committed at the onset to meet aggressive programmatic goals across all three Component Goal categories. Annually it has demonstrated progress against its goals, including in 2017.

## Wells Fargo HWP Commitment Summary — 2017 Results



### COMPONENT GOAL 1.1

Consistent access to low down payment mortgage financing

#### COMMITMENT

**\$125 billion in mortgage originations for Hispanics and other low- to moderate-income borrowers by 2024**

In 2017, Wells Fargo continued its focus on providing affordable low-down payment mortgage financing. It provided **\$21.5 billion** in financing overall, \$11 billion of which was for Latino borrowers, helping more than **87,000** Hispanic families become homeowners.

For three consecutive years, Wells Fargo has exceeded its corporate goal of increasing access to mortgage financing. Over the course of the past three years it has provided a cumulative \$30.3 billion in financing to Hispanic home borrowers, helping those families achieve the American Dream.

### COMPONENT GOAL 1.3

An increase in the number of formally-trained Hispanics working in the mortgage and real estate industries

#### COMMITMENT

**A commitment to increase the number of Hispanic home mortgage consultants on its sales team**

In 2017, Wells Fargo grew its Hispanic sales force across markets. Overall, 13.4 percent of its sales producers are Hispanic, triple the industry average.

While the slight overall decline from 13.5 percent is reflective of fewer mortgage consultants across a smaller market size, it is also indicative of Wells Fargo's commitment to recruit a culturally competent sales force as it shifted market focus.

### COMPONENT GOAL 1.6

Housing counseling that improves homeownership sustainability

#### COMMITMENT

**\$10 million to support a variety of initiatives that promote financial education and counseling for Hispanic home buyers**

In a sustained strategic effort including their *yourFirst* Mortgage loan program, Wells Fargo continued offering home loan borrowers a \$500 credit for completing financial education associated with the purchase of a home. Originally developed in association with Fannie Mae, this program is unique in its approach of offering financial education with an incentive as opposed to requiring it as part of a purchase.

In 2017, Wells Fargo provided \$2.8 million in home buyer education and counseling for Hispanic households, equating to nearly one-third of its original commitment to fund financial education and counseling for Hispanic borrowers.

## DID YOU KNOW?

**Net Worth** is defined as the difference between families' gross assets and their liabilities.



### WELLS FARGO HISPANIC SALES PRODUCERS

SOURCE: Wells Fargo

## ◆ Alterra Home Loans

Since its beginning in 2006, Alterra Home Loans has focused on assisting its customers to achieve wealth through homeownership. As a 100 percent minority-owned business, Alterra Home Loans has made exceptional efforts to advance sustainable Hispanic homeownership by focusing its retail outreach primarily toward the Hispanic community.

Currently at 73 branches across 15 states, Alterra Home Loans has experienced a growth of 300 percent from 2013-2016. As a tech-forward company, Alterra Home Loans leverages technology innovations across its growing footprint to enrich the home buying process for all parties involved in the real estate transaction.

As an independent mortgage banking firm, Alterra Home Loans committed to a total of three areas linked to Component Goal 1 which is focused on increasing the rate of Hispanic homeownership to 50 percent by 2024.

### COMPONENT GOAL 1.1

Consistent access to low down payment mortgages

#### COMMITMENT

**Provide 40,000 new homeowners with financing for their home by 2024**

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In 2017, 80 percent of Alterra Home Loans' business was with minority consumers. Approximately 68 percent of that volume was with Hispanic borrowers. In addition, 65 percent of production was with first-time home buyers.

Alterra closed 4,500 purchase mortgages for Hispanic home buyers, almost all of which were first-time home buyers over the course of 2017.

Their growth in 2017 was approximately 12 percent, year-over-year, with anticipated growth along the same trajectory in 2018. Based on their current progression, they anticipate they will exceed their initial commitment by 10,000 new homeowners by 2024.

### COMPONENT GOAL 1.3

An increase in the number of formally-trained Hispanics working in the mortgage and real estate industries

#### COMMITMENT

**Commencing in 2017, launch an internship program coordinated with a college or university. The effort provides current students with real world exposure to the financial services industry during the course of their college education with the intent of grooming them for a career in the mortgage banking industry**

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Alterra Home Loans launched their internship program with University of Nevada, Las Vegas in 2017.

The inaugural group of 14 students, primarily Juniors and Seniors, participated in a Summer internship program at

Alterra Home Loans' Headquarters in Las Vegas, NV. Of those participating students, four were offered and accepted full-time regular positions at Alterra Home Loans within the marketing, compliance, accounting, and operations departments.

The students demonstrated a determination to succeed and an unapologetic pride in, what the company refers to as, "Latineness". Overall, the experience has reinforced the company's commitment to the program which begins its second year in the Summer of 2018.

#### COMMITMENT

**Create an internal, structured career development program as a means of attracting and retaining Latino talent. The program will provide intentional development opportunity for individuals to grow within the company and experience career prospects and progression not as readily available to them in other parts of the industry**

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The company has spent a considerable amount of time and effort on creating internal tools for coaching and people development.

This people development focus has resulted in five internal promotions for existing employees into senior management roles at Alterra Home Loans over the course of 2017.

In addition, the company has also been actively developing existing talent into management roles as division vice presidents and branch managers. While their overall development is important, the content areas of strategic interest for these "boots on the ground" management roles has centered on finance, sales, and operations.



## ◆ New American Funding

Established in 2003, family-owned and operated New American Funding has grown from a 40-employee call center into a well-respected mortgage banking firm with a still-growing national footprint. The company's tech forward approach, combined with its focus on hiring diverse talent have aided in its rapid growth.

Today, New American Funding employs nearly 3,000 individuals and operates more than 145 branches across the country. It maintains a servicing portfolio of \$23 billion and funds nearly \$1 billion in loans per month.

In 2017, New American Funding sought to further define its commitment to the Latino community by lending its support to the Hispanic Wealth Project through three key corporate commitments.

### COMPONENT GOAL 1.1

Consistent access to low down payment mortgages

#### COMMITMENT

**Lending \$25 billion in new mortgages to Hispanic borrowers by 2024**

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Since the inception of the Latino Focus initiative in 2013, New American Funding has increased its lending to the Hispanic community by 346 percent.

**In 2017 alone, they funded a total of \$2,640,801,099** in loans to Hispanic borrowers. This represents a 10.6 percent achievement toward their overall HWP goal.

### COMPONENT GOAL 1.3

An increase in the number of formally-trained Hispanics working in the mortgage and real estate industries

#### COMMITMENT

**Recruiting, training, and providing employment opportunities to at least 1,000 Hispanic individuals who have no previous experience in the industry by 2024**

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New American Funding created a training program designed for individuals outside the industry – Launch Lab. Its participants are trained for roles as a loan officer, loan officer assistant or as a production assistant.

Early indications show success in this program's ability to attract talent, with over 70 percent of its participants noted as Hispanic Millennials with no prior mortgage banking experience. Thus far, **New American Funding has trained many young Hispanics**, introducing them to a career in mortgage banking.

### COMPONENT GOAL 2.2

Mentorship, by which successful Hispanic small business owners provide visible and tangible evidence and support for success, and peer-to-peer groups that offer "mastermind" coaching

#### COMMITMENT

**Develop a direct mentorship program with a goal to reach 500 Hispanic-owned small businesses by 2024**

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New American Funding implemented a mentorship program specifically for Latinas.

For each participant, the **mentorship program is three-months in duration**, consisting of hour-long monthly conference call sessions and is open to employees and women in all fields of business. The content for each mentorship program is comprised of topics in which participants have expressed as an opportunity for growth, such as tools to help grow your businesses and effective networking.

In 2017, 17 women participated in the program. By the end of 2018 Q2, 52 women overall will have participated in the program.

### COMPONENT GOAL 2.3

Incubators for technology and financial services entrepreneurship that allow small business owners to collaborate

#### COMMITMENT

**Host an annual Hispanic Small Business Summit at New American Funding headquarters. The summit will feature speakers and business leaders who will provide direct guidance, insight and support to a select group of Hispanic business owners who are chosen to participate. The target audience will include participants from other industries outside of housing, finance or real estate**

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New American Funding's **Inaugural Annual Hispanic Small Business Summit** is scheduled to take place in the Fall of 2018.

They are working in collaboration with the City of Santa Ana, Orange County Hispanic Chamber of Commerce and Hispanic Lifestyle who are also participating in the event.

New American Funding expects the event to be attended by 150 individuals who are current Hispanic small business owners seeking additional guidance to scale their businesses.

# ◆ Freddie Mac

Created in 1970 to provide an additional source of liquidity and competition in the secondary market, Freddie Mac's mission is to promote affordable housing, support the stability of the housing market and to maintain a flow of mortgage money. They have helped to "Make Home Possible" for more than 75 million families since they were chartered by Congress.

Their role in the secondary mortgage market provides a means of transferring credit risk associated with purchased loans away from tax payers, while providing a primary means of liquidity in the mortgage industry. First-time and low- to moderate-income borrowers are a key focus of their single-family business with funding for first-time borrowers currently at a 10-year high.

The more than 6,000 people employed by Freddie Mac work collectively to grow their present \$2 trillion guarantee portfolio through which they provided over \$420 billion in mortgage funding over the past year.

In 2017 Freddie Mac committed to programmatic support of the HWP within Component Goal 1.

## COMPONENT GOAL 1.1

Consistent access to low down payment mortgage financing

### COMMITMENT

**Educate real estate agents as the trusted advisor in the real estate transaction as a means of increasing awareness of low down payment conventional mortgage financing options**

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Freddie Mac's Home Possible® mortgage allows a 3 percent down payment with flexible sources of funds. An added affordability feature is the reduced mortgage insurance required, which is cancellable at 80 percent loan to value (LTV) and caps on loan level price adjusters. All of this means a better rate for the borrower and a great opportunity for Hispanics and other first-time home buyers.

In 2017, the Affordable Outreach team at Freddie Mac executed over 300 events in concert with lender partners, focused on educating real estate agents, loan officers and other industry professionals on the role Freddie Mac plays in the industry, the Home Possible mortgage product, and resources available to help them serve their clients more effectively.

They educated over 17,000 real estate agents at these events, promoting the benefits of low down payment conventional loan products, home buyer education, and financial literacy.

## COMPONENT GOAL 1.6

Housing counseling that improves homeownership sustainability

### COMMITMENT

**Promote access to CreditSmart®, CreditSmart Español and other Freddie Mac tools that can serve as a consumer resource for real estate professionals to educate their clients**

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Freddie Mac's CreditSmart and CreditSmart Español curriculum is a tool that NAHREP members can access directly from their real estate resource center website: [www.freddiemac.com/realestatepros](http://www.freddiemac.com/realestatepros).

The curriculum provides real estate professionals a means of becoming certified trainers whereby they can use the curriculum to educate their clients.

Real estate professionals are able to feature the link on their business website for prospective buyers to access information from MyHome and the CreditSmart modules from the comfort of their homes. This direct-to-consumer educational platform helps strengthen the value the real estate agent brings to the buyer while simultaneously providing prospective Hispanic home buyers with resources they need in their language of preference.

Freddie Mac intends to continue these efforts in 2018 and beyond as a means of continuing to engage with the real estate firms committed to NAHREP's mission of increasing the rate of sustainable homeownership, and partnering to work with their entire network of agents, increasing awareness among the real estate professionals of their affordable products, tools and resources.



## ◆ MassMutual

Since its inception in 1851, MassMutual has focused its efforts on the concept of “living mutually” which includes the notion of interdependence on one another. The fact that their policyholders are also members entitled to sharing in the company’s success, such as through dividends, informs their approach to how they do business.

Their support of the Hispanic Wealth Project includes their participation at the Contributor level for the Hispanic Wealth Project. In addition, their programmatic contributions are specific to increasing wealth created from savings and investments by achieving broad adoption of The NAHREP 10 Principles.

### COMPONENT GOAL 3.1

Investment education for small business owners

#### COMMITMENT

**Engage in a series of market specific events tailored to educate real estate and mortgage professionals on financial topics to help improve the economic well-being of their members and communities**

During 2017, MassMutual participated in eight financial education events in the following markets: Dallas, TX; Chicago, IL; La Jolla, CA; Los Angeles, CA; and Washington D.C.

At these events, they provided educational value to over 1,000 attendees on the importance of wealth generation and protection including saving and preparing for college.

## □ DID YOU KNOW?

“Latino business owners are more likely than the general population to say they cannot solve [core business planning] issues on their own and want outside expertise. Latino business owners say their most trusted advisors are their *accountant, financial professional and attorney*, and the criteria they most often looks for in a trusted advisor is *having their best interest at heart and having a prior relationship with the individual.*” [Source: MassMutual](#)

## ◆ Realogy

Founded in 2006, Realogy Franchise Group is the world’s largest owner and operator of U.S. residential real estate brokerages. Realogy is the leading global franchisor of the world’s most recognized brands and currently operates across various segments in the real estate industry including: franchising, brokerages, relocation, title and settlement services. Its family of brands includes Better Homes and Gardens® Real Estate, CENTURY 21®, Coldwell Banker®, Coldwell Banker Commercial®, Corcoran®, ERA®, Sotheby’s International Realty® as well as NRT, Cartus, Title Resource Group and ZapLabs, an in-house innovation and technology development lab. Its seven brokerages are comprised of over 192,000 independent agents in the U.S. and 97,000 independent agents across the world in over 116 countries.

Realogy’s industry breadth combined with its vision of enhancing its business practices with the aid of innovative technologies creates a strong momentum to propel changes within the real estate industry.

Consistently named as one of the World’s Most Ethical Companies by Ethisphere Institute, Realogy’s commitment to operate with purpose and integrity are evident through its focus on diversity and exemplified through its various Employee Resource Groups including its Hispanic and Latino ERG whose primary function is to encourage inclusion and engagement within the brand.

### COMPONENT GOAL 2.1

Education programs that create awareness of small business formation opportunities and guide formation activities

#### COMMITMENT

**Create broker-specific training to aid in formation and scaling real estate small businesses**

In 2018, Realogy is deploying broker-specific training which provides instruction on succession planning, business valuation and other topics designed to help small business owners protect their company as an investment.

# Bank of America

Bank of America was established in 1998 and began as the Bank of Italy in 1904 whose focus was to serve the minorities of northeastern San Francisco. Currently catering to approximately 47 million consumers and more than 25 million active mobile users, Bank of America's retail presence covers approximately 80 percent of the U.S. population. Supporting people, companies and institutions, Bank of America is dedicated to providing a wide range of services to best benefit its consumers varying financial needs.

In 2017, Bank of America maintained its original commitment within Component Goal 1 and noted additional accomplishments as well.

## COMPONENT GOAL 1.1

Consistent access to low down payment mortgages

### COMMITMENT

**Expand product options for borrowers across underserved markets**

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Bank of America maintained its commitment to provide more borrowers options through their Affordable Loan Solution<sup>®</sup> Mortgage that allows for 3-percent down payments tailored for low- to moderate-income borrowers.

## COMPONENT GOAL 1.3

An increase in the number of formally-trained Hispanics working in the mortgage and real estate industries

### COMMITMENT

**Strive to have a diverse and inclusive workforce**

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For the 18th time, Bank of America was named among LATINA Style Magazine's *Top 50 best companies for Latinas to work*.

The report is focused on highlighting top companies within corporate America that provide career advancement opportunities for Hispanic women.

## COMPONENT GOAL 1.5

Down payment assistance and a plan to assist more Hispanic families with access to available programs

### COMMITMENT

**Continued partnership with Down Payment Resource Center to provide an online tool that consumers or real estate professionals can utilize to identify available down payment assistance programs for borrowers**

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Bank of American expanded its commitment to nearly three dozen underserved markets.

Through the America's Home Grant program, It provided down-payment closing cost assistance ranging from \$2,500 to \$5,000, which is available in 21 markets.

Bank of America additionally invested in technology to simplify the Down Payment Center to better help borrowers who need down payment assistance

## COMPONENT GOAL 2.1

Education programs that create awareness of small business formation opportunities and guide formation activities

### COMMITMENT

**Publish Hispanic Small Business report**

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Beginning in 2017, Bank of America published its first Hispanic Small Business Owner Spotlight which included comparative analysis of Hispanic Entrepreneur insights and needs.

Published in March 2018, the second addition featured attitudinal insight from small business owners regarding their perspective on the business environment and its impact on their business. The report additionally includes marketing and social media insights on how Hispanic business owners utilize platforms and messaging, as compared to non-Hispanic business owners.

The insights aim to provide general market intel that can help industry to better serve Hispanic entrepreneurs.



# NAHREP-DRIVEN INITIATIVE

NAHREP asks its members and stakeholders to adopt these principles and share them with everyone in their sphere of influence—their families, their colleagues, their friends—because that’s how we change the world.



1. **have a mature understanding of wealth and prosperity**

because the one with the most toys usually loses.



2. **be in the top 10% of your profession**

because being good is not good enough.



3. **live below your means and be ready for the next recession**

because downturns are a regular part of our economic cycles.



4. **minimize debt**

because it is the biggest enemy to wealth.



5. **invest at least 20% of your income in real estate and stocks**

because they are the best and safest ways to build wealth (investing in other businesses does not count).



6. **know your net worth including the value of your business**

because you can't improve what you don't measure.



7. **be politically savvy**

because public policy matters.



8. **be physically fit**

because wealth without health is meaningless.



9. **be generous with people who are less fortunate**

because philanthropy feeds your spirit and gives more purpose to your work.



10. **be active in the lives of your family and children**

because *familia* is central to who we are and nothing will motivate you more.



## The NAHREP 10 Certified Trainer

In an effort to support the Hispanic Wealth Project initiatives and expand the reach of the Wealth Disciplines to a broader audience, NAHREP is launching The NAHREP 10 Certified Trainer Program. Latinos have experienced rapid growth rates for income, education levels, labor force participation, and entrepreneurial starts but have continued to lag behind the general population in regards to wealth building. Across all income brackets, Latinos under-participate in financial services vehicles for savings and investment. NAHREP designed the ten wealth disciplines as a roadmap to provide exposure to the knowledge and resources available for long-term financial fitness and wealth building potential.

Real estate professionals in particular are influencers within their communities. They are successful, highly networked and overall considered a resource for their friends, families, and clients. By equipping the real estate professionals in NAHREP's network as Certified Trainers, these community leaders will have both the platform and the tools to drive The NAHREP 10 forward.

The goal is to qualify 50 Certified Trainers who will train a total of 20,000 individuals over the next 36 months in The NAHREP 10. Certified Trainers will have access to two iterations of The NAHREP 10 presentation which can be tailored to an audience based on size of the group and overall length of the presentation.

Individuals who are ultimately certified to deliver the content will have to meet several required criteria including, but not limited to: demonstrating a personal adoption of The NAHREP 10, completion of a three-part series of web-based online instruction courses, and availability to deliver the content on various occasions throughout the 12 months following certification.



## FEDERAL POLICY

Conventional wisdom suggests that an education and a good paying job can guarantee financial security for an individual or a household. However, the reality is more complicated since earning a middle-class income does not guarantee financial security.<sup>36</sup> The median college educated non-Hispanic White individual's net worth is five times greater than that of a Hispanic individual with the same level of educational attainment.<sup>37</sup>

As the Tax Cuts and Jobs Act of 2017 is implemented over the coming year, additional efforts are required to examine the tax code and make recommended changes, such as to the Earned Income Tax Credit, so that Hispanics and others also receive tax-related benefits to build household wealth.



# CONCLUSION

Four years ago, the Hispanic Wealth Project™ (HWP) was launched with an ambitious goal to triple median Hispanic household wealth by 2024. Progress is being made, although reliable data on the subject is hard to come by. Hispanics continue to drive gains in homeownership, work force participation, and buying power. Additionally, more Hispanics are investing in non-cash financial assets such as stocks, bonds, and retirement accounts. With a record number of Hispanics enrolled in college, there is reason to be optimistic in the long run. The financial well-being of Hispanic families is directly tied to the prosperity of America.

The challenging political environment for immigrant populations has created a strong and largely unexpected headwind. Uncertain immigration policies are justifiably causing many Hispanics, even those with permanent status, to hold off on making long-term financial commitments, such as retirement savings or purchasing a home. The enduring effects of this are difficult to estimate. Nonetheless, the Hispanic community is remarkably resilient and progress is still being made. Last year, Hispanics were the only demographic to have increased their rate of homeownership for the third consecutive year. Hispanics also continue to drive new business growth in America.

In 2016, members of NAHREP began adopting and disseminating The NAHREP 10, the guiding principles of the Hispanic Wealth Project. These principles, which begin with a commitment to acquire a more mature understanding of wealth and prosperity, hold the promise of creating new financial and professional disciplines in Hispanic communities across America. NAHREP currently has 30,000 members and is growing. Each of those members has the ability to influence dozens, if not hundreds, of families in their networks.

The Hispanic Wealth Project has galvanized NAHREP’s membership like nothing before it. Latino immigrants came to America for a better life. The vision of economic prosperity is one that is universally shared by all Latinos. Last year NAHREP adopted a new vision statement, which was “to help guide the Hispanic community to be among the wealthiest and most philanthropic in America”. An audacious goal for certain, but audacity is probably one noun that is not often associated with Hispanics in America – perhaps until now.

## RETIREMENT ACCOUNTS: WHITE VS HISPANIC

SOURCE: Federal Reserve Bank

White families are twice as likely to have retirement accounts as Hispanic families.



# END NOTES

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