



# BLUEPRINT





**HISPANIC  
WEALTH  
PROJECT**



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## FOREWORD by THE HON. HENRY CISNEROS

Our nation's recovery from the Great Recession has been uneven. Many who suffered tremendous losses have been excluded from a meaningful economic rebound, and indicators of America's restored economic health often belie circumstances for those in our middle class who continue to struggle.

Eighteen months ago, Gary Acosta and I were discussing the post-recession plight of the middle class and my desire to identify and support solutions that could propel a broader recovery. As the co-founder and CEO of the National Association of Hispanic Real Estate Professionals (NAHREP), Gary was managing an organization that felt the full brunt of the recession and housing crisis: the livelihood of his members depended on Hispanic homeownership that was moving in the wrong direction and causing Hispanics to lose ground in terms of household wealth. Given demographic forecasts that charted an ever-increasing Hispanic population, it seemed impossible to measure the economic state of our middle class without addressing the fate of Hispanic households. Indeed, restoring Hispanic household wealth is, ever more, an American imperative.

So when Gary shared his idea for a plan to triple Hispanic household wealth over the next ten years, I immediately pledged my support. Like any good plan, Gary's needed a "blueprint" to serve as a guide, much as a business plan shapes the ambitions of a company. This document is that blueprint, and the result of 18 months of work by the NAHREP staff and a group of extremely committed and competent advisors and consultants. As you review the following pages, you will see a very specific focus on how progress toward a tripling of Hispanic household wealth can occur – how Hispanic homeownership can recover and flourish; how Hispanic small business formation can support wealth creation and employment recovery; and how institutional investments can diversify and grow Hispanic wealth and savings. The "blueprint" offers actionable ideas, sets out the first steps that the NAHREP organization has already begun to undertake, and invites support and participation from individuals, corporations, government, academia and other nonprofits.

The Hispanic Wealth Project was built on the premise that all of America benefits by ensuring the economic well being of our Hispanic community. I am proud to attach my name to this Project, and I personally invite you to participate in any way you can.



*Henry*

## ACKNOWLEDGMENTS

NAHREP is grateful for the outstanding contributions and commitments of people and organizations who have embraced our vision for the Hispanic Wealth Project, who have helped to shape our strategies and ambitions, and who have already contributed valuable time and resources to our efforts.

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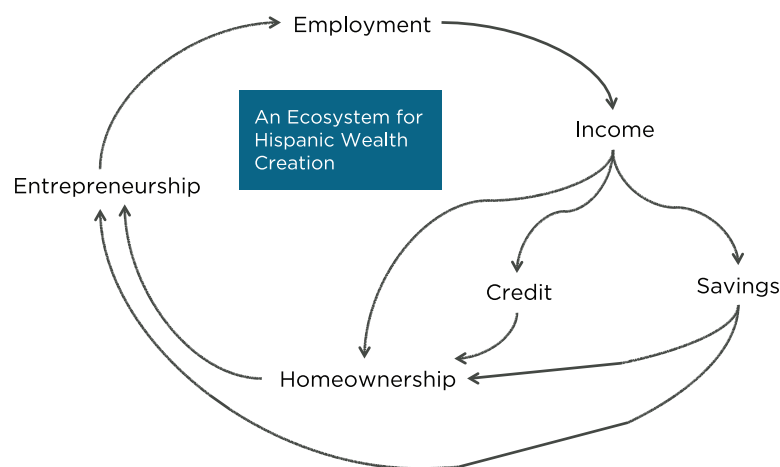


## PREFACE: AN ECOSYSTEM for HISPANIC WEALTH CREATION

Since NAHREP's founding more than 15 years ago, we have witnessed unprecedented housing cycles that have illustrated important linkages between housing and the overall economic status of Hispanics. As a trade association, we have largely aligned our policies and programs with a mission to advance sustainable Hispanic homeownership as a goal unto itself. But the Great Recession and attendant housing crisis made clear that homeownership—and the loss of homeownership—have far broader implications for Hispanic wealth and for the capacity of the Hispanic community to fully participate in the American dream.

Our efforts have thus materialized not into an Hispanic housing project, but instead into “The Hispanic Wealth Project,” a bold plan to triple Hispanic household wealth during the next ten years. For most Americans—and for Hispanic Americans, in particular—homeownership and household wealth are interdependent elements of an “ecosystem” that includes employment, income, credit, savings and more. By understanding the dynamics within this ecosystem, we can continue to advocate for Hispanic homeownership through programs, policies and initiatives that not only propose direct outcomes, but also enhance the context for overall Hispanic economic progress.

Diagrammatically, we view an “ecosystem” for Hispanic wealth creation as follows:



Under our model, wealth creation can begin at any “node,” each of which nodes contributes to a succeeding and process-sustaining wealth repository. Taking “employment” as an example: jobs produce income that leads to credit and savings; income, credit and savings all enable homeownership; savings—and homeownership in the form of equity—also enable entrepreneurship, which itself then becomes a catalyst for Hispanic employment.

We believe that initiatives, programs and policies that focus on any “node” can create momentum toward Hispanic wealth creation. Throughout the 10-year Project term, we will therefore work to create awareness and support for policies that drive continuing improvements in the Hispanic labor market, support ongoing advances in Hispanic educational attainment, and welcome nontraditional metrics into the analysis of consumer credit. That said, the Hispanic Wealth Project has framed its specific goals around the three “nodes” most aligned with the NAHREP mission and membership:

- **Homeownership**, because sustainable Hispanic homeownership is central to NAHREP's mission
- **Entrepreneurship**, because NAHREP is a membership organization chiefly comprising real estate entrepreneurs who have gained wealth through the formation and expansion of businesses
- **Savings and 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

## PROJECT APPROACH and FRAMEWORK

Although we fully expect the Hispanic Wealth Project to begin a national dialogue around issues affecting the creation and retention of wealth for Hispanic households, the Project itself is intended to drive—and not merely observe—outcomes. Therefore, the Project will be built around multiple initiatives, each of which expresses an actionable plan to address one or more of the requirements we set forth for goal achievement.

Of course, NAHREP does not hold a monopoly on good ideas, nor do we alone represent the resources that must be marshaled to define and support the breadth of initiatives that will, in aggregate, triple Hispanic household wealth over the next ten years. We therefore distinguish between **NAHREP-recognized** initiatives and **NAHREP-driven** initiatives, and offer a place for each within the Project context.

Throughout the financial services marketplace, innovators are making a difference in the Hispanic community through successful approaches to lending, affordable housing and much more. To the extent we find that initiatives already underway align with the Project goals, we seek to recognize such initiatives for their merit and contributions, and to include the impact of such initiatives among the progress we chart. The Project will therefore include an ongoing mechanism for firms and individuals to self-identify as Hispanic Wealth Project contributors and to have their initiatives designated as “NAHREP-recognized.” Data relating to such initiatives—scope, progress, quantifiably impact in relation to a stated Project goal—will be solicited from the sponsoring firms or individuals and included within the Project’s annual reports and symposium content.

Throughout the term of the Project, NAHREP will also drive a specific set of initiatives leveraging internal resources and commitments from key NAHREP sponsors. These NAHREP-driven initiatives will arise from a targeted focus on one or more of the requirements for a stated Project goal, and will be monitored continuously for their measurable contributions to a tripling of Hispanic household wealth over the next ten years.

## HISPANIC WEALTH PROJECT GOALS and OBJECTIVES

What does it mean to triple Hispanic household wealth over the next ten years?

According to a recent report from the Pew Research Center<sup>1</sup>, the wealth of white households is now more than 10 times the wealth of Hispanic households, with median Hispanic household wealth standing at \$13,700 in 2013. Like all demographic groups, Hispanics suffered precipitous wealth losses between 2007 and 2010 as the housing and financial markets witnessed unprecedented declines in value. But the path toward recovery has been very different for minority communities: while median household wealth held relatively steady for all households, for Hispanics, wealth declined another 14.3% between 2010 and 2013.

Based on these findings, our goal to triple Hispanic household wealth would translate into efforts to raise the median to \$41,100 by 2024, or to add roughly \$27,000 in new, per-household wealth over the coming ten years.

But what will that new wealth look like? What form and shape will it take? What pace of asset accumulation and appreciation will drive its creation? And what actions—on the part of Hispanic households themselves, and of those who support our efforts—will be needed for that outcome to be achieved?

Throughout The Hispanic Wealth Project, we are committing ourselves to goals that are actionable, inclusive and accountable. We aim to measure progress toward our ambitious “tripling” goal not only in average, median and aggregate dollars, but also with reference to specific assets and to the specific acquisition processes and appreciation prospects for these assets themselves.

Our broad goal is therefore driven by three component goals that reference our “ecosystem for Hispanic wealth creation” and propose specific asset accumulation and appreciation outcomes:

### **Component Goal #1:**

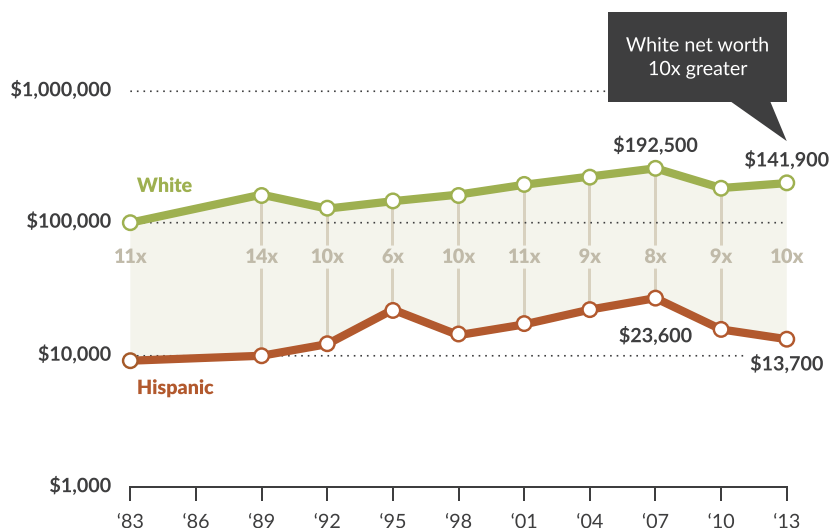
**To achieve a 50% (or greater) rate of US Hispanic homeownership**

If 50% of US Hispanic households were homeowners, then for the first time in US history, the median Hispanic family would include some home equity among their household assets. Such an outcome would be transformational, not only for its myriad symbolic implications, but also for the resulting, compounding benefits that homeownership would bring. Increases in Hispanic homeownership will drive ongoing increases in Hispanic household net worth, enabling broader investments in education, small-business formation and more.

Preliminarily, we believe that the achievement of a 50% rate of Hispanic homeownership will require:

### **Racial, Ethnic Wealth Gaps Have Grown Since Great Recession**

*Median net worth of households, in 2013 dollars*



Source: Pew Research Center tabulations of Survey of Consumer Finances public-use data

<sup>1</sup> <http://www.pewresearch.org/fact-tank/2014/12/12/racial-wealth-gaps-great-recession/>



**a. Consistent access to low down payment mortgage financing**

Hispanic families have consistently expressed a strong desire for homeownership. While income and educational levels are increasing, accumulating a down payment remains a primary home purchase barrier for Hispanics. In the years following the housing crisis, access to low down payment mortgages has been more difficult than at any time in recent history. According to a 2014 Fannie Mae housing survey 69% of Hispanics believe qualifying for a loan is very difficult. As more Hispanic families enter their prime home buying years, their ability to participate in homeownership will largely depend on reliable access to mortgages that require minimum down payments of 5% or less. The Hispanic Wealth Project is therefore seeking innovations, commitments and programs from government, lenders and other entities that will add to the supply of low down payment mortgages.

**b. An increase in housing inventory especially in the stock of affordable homes**

An undersupply of housing units in several key markets was the primary barrier to Hispanic homeownership, according to a 2014 NAHREP survey of leading real estate agents and brokers. The National Association of Home Builders estimates that homebuilding after the housing crisis fell approximately 5 million units below what is needed to keep up with the growth in household formations. Inventory shortages have created price bubbles in several major markets, causing affordability gaps for many first time buyers. Improvements in the supply and demand balance will be required to preserve homeownership opportunities for millions of Hispanic families, and the Hispanic Wealth Project is seeking commitments from government, builders, servicers and other entities to deploy and support programs that increase the supply of affordable housing.

If 50% of US Hispanic households were homeowners, then for the first time in US history, the median Hispanic family would include some home equity among their household assets.

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

The home buying process is complicated and confusing. Language and culture barriers can make the process even more challenging. NAHREP estimates that the number of culturally competent realtors and mortgage professionals will need to double in the coming years to meet the growing demand from Hispanic homebuyers. The Hispanic Wealth Project is seeking 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.

**d. Practical consumer protection that reduces the risk for predatory activity while simultaneously promoting fair housing and improving credit access**

Predatory lending was the primary reason that nearly 1 million Hispanic families lost their homes during the foreclosure crisis. Enhanced consumer protection laws that substantially reduce predatory mortgage lending are essential to preserving Hispanic homeownership. Consumer protection can also improve credit access because a reduction in unscrupulous competition can free lenders to invest more in service and performance; however, excessive consumer protection can also cause unintended consequences. Trading a reduction in predatory lending for expanded gaps in homeownership rates for Hispanics and other underserved markets should not be an acceptable outcome. Regulators at the federal and state levels should measure their success not only by the degree that predatory activity is reduced but also by whether homeownership rates for underserved markets are also improved. The Hispanic Wealth Project seeks to foster and support programs and policies that ensure an appropriate balance between consumer protection and mortgage access.

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

The Harvard Joint Center for Housing Studies estimates that Hispanics can account for up to 50% of first time buyer activity in the coming years. Down payment assistance has stimulated first time homebuyer activity for decades even though millions of potential homebuyers remain unaware of the existence of available programs. The Hispanic Wealth Project seeks to increase the number of first time buyers by sponsoring and 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 homebuyer mortgage programs.

**f. Housing counseling that improves homeownership sustainability**

The positive impact that quality, pre-purchase housing counseling has on homeownership preservation is undisputed. The relatively modest expense of housing counseling as compared to the devastating costs that a single foreclosure can cause makes housing counseling one of the best investments that can be made by homebuyers, lenders, and government. The Hispanic Wealth Project seeks to 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.

**g. Strong Community Reinvestment Act (CRA) and affordable housing goals that are met through programs that truly serve communities and homebuyers**

Once in conservatorship, Fannie Mae and Freddie Mac were relieved of their affordable housing goals. In the subsequent years, the GSEs' performance in the minority and first time buyer markets has been abysmal. Now that Fannie Mae and Freddie Mac have returned to consistent profitability, effective affordable housing goals must be restored and implemented to ensure a stable and balanced housing market. In the aftermath of the housing crisis, strict enforcement of CRA has become a greater imperative as communities of color suffered widespread devastation and banking industry consolidation occurred at an unprecedented pace. The Hispanic Wealth Project seeks to recognize and support innovative and successful CRA programs and to endorse policies that establish ambitious CRA and affordable housing goals that serve communities and homebuyers.

**h. The continuation of government housing policies, including the mortgage interest tax deduction, that favor homeownership outcomes**

The federal government has long recognized that homeownership is the primary source of wealth and stability for most Americans. Government support of policies that make homeownership more affordable are essential for future homeownership growth. A rollback of these policies would create an effective tax on homeownership that would undoubtedly widen the wealth gap in America. The Hispanic Wealth Project seeks to support policymakers who will work to preserve the mortgage interest deduction and will otherwise advance initiatives that support homeownership outcomes.

## ***Component Goal #2***

**To increase, by 50%, the first-year success rate of Hispanic-owned small businesses**

According to the US Small Business Administration, small businesses account for 64% of net new private-sector jobs. Amidst what has long been a “jobless economic recovery” in the US, and a labor market where Hispanic unemployment has exceeded overall unemployment by at least one percent, we view newly created Hispanic-owned small businesses as repositories for entrepreneurial wealth as well as engines for increasing Hispanic labor force participation. On a positive note, during the past decade, the rate of Hispanic small-business formation has far outpaced entrepreneurship rates among non-Hispanics – according to data from Geoscape, the number of Hispanic-owned businesses grew at more than double the growth rate for all US firms between 2007 and 2014. To create a durable impact on household wealth, however, small businesses must survive their typically challenging first years and in this regard, Hispanic entrepreneurs are still struggling. The Department of Commerce's Minority Business Development Agency estimates that minority firms are two to four times more likely to fail than non-minority firms. Of the roughly 200,000 newly formed Hispanic-owned businesses each year, data suggest that a full 100,000 will not survive. And while capital factors into Hispanic small business challenges, many analysts see a lack of experience and inadequate knowledge of business rules and practices as key sources of Hispanic business failure.

During the past decade, the rate of Hispanic small-business formation has far outpaced entrepreneurship rates among non-Hispanics.

We therefore believe that increasing, by 50%, the first-year success rate of Hispanic-owned small business will preliminarily require:

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

Many would-be Hispanic entrepreneurs lack an awareness of the processes required to turn an idea into a business. Language and cultural barriers can, at times, preclude access to agencies that support small-business formation. The same barriers can lead to a lack of awareness as to regulations and operating guidelines that must be mastered for a business to succeed. The Hispanic Wealth Project aims to identify existing education programs with Spanish-language content that can be accessed via the Internet. The Project also aims to support curriculum development that offers learning on small business fundamentals, and to make such curriculum available for use by a wide variety of public and private educational institutions.

**b. 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**

Many of the challenges faced by Hispanic entrepreneurs have been overcome by existing Hispanic business leaders. But the stories of struggle, survival and success are rarely accessible to new generations of innovators and risk-takers. The Hispanic Wealth Project seeks to identify business leaders who have worked through many of the start-up challenges faced by Hispanic businesses and to encourage such leaders to share their stories, suggestions and strategies through a variety of Project initiatives. The Project also aims to be a forum for the exchange of ideas and for matching mentors and mentees in programs aimed to give Hispanic entrepreneurs clearer roadmaps for business success.

The Hispanic Wealth Project aims to... encourage small-business lenders to reach deeply into Hispanic communities.

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

In addition to the value created by mentorship, entrepreneurs often benefit from opportunities to “compare notes” with others facing similar challenges and struggles. The Hispanic Wealth Project seeks to build and sustain forums for collaboration where entrepreneurs can gather, examine business challenges and learn to apply proven solutions.

**d. Availability of capital for small-business lending**

At certain business junctures, capital is a singular success requirement, and a lack of capital access presages business failure. Unfortunately, for many Hispanic entrepreneurs, business start-up costs consume all personal savings, so when additional funds are needed to finance growth or inventory, businesses often cannot survive. While SBA and other sponsored programs exist to support small business lending, many Hispanic entrepreneurs face specific lending barriers including lack of credit history and a lack of formal, institutional financial relationships. While both such obstacles themselves need to be overcome, Hispanic communities also need lending programs that address specific community, cultural and economic patterns. The Hispanic Wealth Project aims to identify, foster and publicize such programs.

**e. Hispanic access to small-business lending programs**

Often, financial programs do exist to address the specific capital challenges faced by Hispanic entrepreneurs, but many Hispanic small-business owners lack access or awareness. The Hispanic Wealth Project aims to 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.

### ***Component Goal #3***

**To increase by 25% the number of Hispanic households owning non-cash financial assets (e.g., stocks, bonds, mutual funds, 401k accounts)**

For many Hispanic households, current wealth levels would seem to obviate the need for asset or wealth diversification. But the Project is not intended as an anti-poverty initiative, and sustainable Hispanic wealth

ultimately has as much to do with its durability as its creation. Prudential Financial released a detailed study of the asset allocation of Hispanic households and illustrated a long-held view that, even when holding income constant across ethnic groups, Hispanics under-participate in retirement, 401k and mutual fund programs, and hold a disproportionately small share of their assets in financial instruments (e.g., stocks, bonds). The Hispanic Wealth Project will leverage NAHREP members to explore a discrete sub-set of Hispanic households, both to identify existing barriers to financial market participation and to guide strategic asset diversification.

Preliminarily, we believe that increasing, by 25%, the number of Hispanic households owning non-cash financial assets will require:

**a. Investment education for small-business owners**

While many successful Hispanic entrepreneurs are masters of their business disciplines, as many have never benefitted from formal exposure to investment curriculum. The Hispanic Wealth Project aims to 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.

**b. Training programs for employers to drive increases in Hispanic participation in retirement programs**

To the extent that Hispanic under participation in retirement programs (e.g., 401k) stems from cultural issues, the Hispanic Wealth Project aims to identify and support employee outreach programs that overcome cultural barriers. Employer innovations will be logged, recognized and shared to create a library of “best practices” for increasing Hispanic program participation. Similarly, the Project will identify and highlight consumer education materials that make investments intriguing for a Hispanic audience.

The Hispanic Wealth Project aims to identify and support employee outreach programs that overcome cultural barriers.

**c. Formation of investment circles or similar “clubs” that allow new Hispanic investors to learn and invest together**

The Hispanic Wealth Project seeks to identify and endorse roadmaps for the creation of organic investment clubs through which first-time investors can learn together through shared experiences.

**d. Tax policies that create incentives for diversified financial holdings**

American consumers understand the governmental priority placed on homeownership in part because of federal tax deductions for mortgage interest. In order to create a similar embrace of financial investments, the Hispanic Wealth Project will 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.

**e. Awareness programs (including technology-based social media) that engender investment curiosity and offer clear paths for taking first steps**

An interest in investing necessarily requires an awareness of investments and the financial marketplace. The Hispanic Wealth Project will 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.

# INAUGURAL NAHREP-DRIVEN INITIATIVES

We are launching the Hispanic Wealth Project with three NAHREP-driven initiatives:

1. **Addressing Underrepresentation of Hispanic Workers in Financial Services and Lending Occupations**

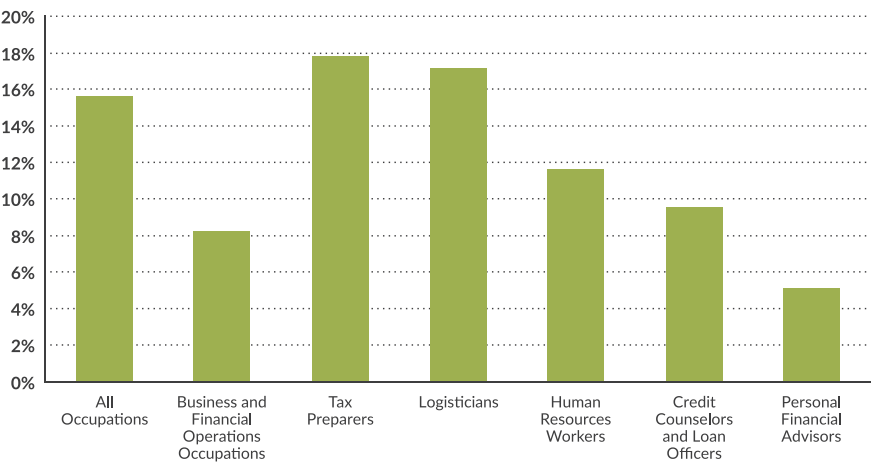
Achieving gains in Hispanic homeownership rates will clearly require measurable increases in mortgage originations and approvals for Hispanic borrowers. We submit that one possible barrier to Hispanic mortgage access stems from the underrepresentation of Hispanics in the lending professions. If our conclusions are correct, then Hispanic communities suffer on two fronts. First, whether for reasons of language or culture, if a potential Hispanic borrower does not feel at ease when interacting with lending professionals, then such consumer may not be likely to pursue the credit application process. Despite possible credit qualification, Hispanic consumers may therefore self-select out of a mortgage and, by extension, out of homeownership. Second, to the extent that loan officer and related professions are characterized by high pay and career advancement opportunities, by not pursuing such occupations, Hispanics may forego a legitimate path toward individual economic advancement.

Each year, the Bureau of Labor Statistics tracks US employment patterns across a broad data set that examines nuances from occupation type to worker ethnicity. We have extracted several data elements from the BLS summary tables to support our inquiry.

Across all occupations, it is worth noting that 2013 Household Data shows Hispanics accounting for 15.6% of all employed persons in the US, a labor force more than 22 million strong. Given historical educational and employment patterns within Hispanic communities, the fact that Hispanics account for a disproportionately large share of workers in occupations such as Food Processing (33.8%), Automotive Service (21.7%), and Painting, Construction and Maintenance (47.3%) is not surprising. As Hispanic educational attainment continues to rise, we will expect to see increasing Hispanic representation, generally, across all professional occupations.

With specific reference to one professional category, “Business and Financial Operations Occupations,” BLS data shows that Hispanics account, in aggregate, for 8.3% of all employed persons in occupations ranging from entertainment agents to insurance underwriters. In Table One below, we present selected data to illustrate variances within this aggregate occupation category.

**Hispanic Labor Force Participation by Occupational Category**



**Table 1**

We note high Hispanic representation among “Tax Preparers” and contrast this with lower representation among “Credit Counselors and Loan Officers” and “Personal Financial Advisors.” In our view, much of the observed difference can be explained by a broad awareness of the importance of paying one’s taxes, versus a less informed or even nonexistent understanding of credit opportunities and financial planning advice.

Even when translated into Spanish, federal and state tax forms and information booklets are confusing, particularly for less formally educated labor force participants. Therefore, even among lower-income Hispanics, demand for advisors who can assist with the mandatory task of filing a tax return likely supports significant Hispanic employment participation within the tax preparer occupational category.

What, then, can we conclude by applying the same logic to Hispanic underrepresentation among “Credit Counselors and Loan Officers?” If more Hispanic consumers sought loans, would lenders employ more Hispanic lending professionals? Conversely, if lenders employed more Hispanic loan officers, would more Hispanic consumers avail themselves of credit opportunities?

An examination of historical Hispanic participation in the “Credit Counselor and Loan Officer” occupations may be instructive. In 2007, widely viewed as the year when housing moved from boom to bust, Hispanics accounted for 14% of the US labor force and 13.1% of all Credit Counselors and Loan Officers (See Table 2).

Year	All Occupations	Credit Counselors and Loan Officers*
2007	14.0%	13.1%
2008	14.0%	11.5%
2009	14.0%	9.9%
2010	14.3%	10.6%
2011	14.5%	11.4%
2012	15.4%	9.3%
2013	15.6%	9.6%

\*The occupation category was previously termed “Loan Counselors and Officers”

**Table 2**

According to a 2014 report by the Urban Institute<sup>2</sup> the share of purchase mortgage originations by Hispanic borrowers began a sharp decline in 2007, and shows no immediate signs of recovering. The report focuses on lower credit availability (in relation to 2001 lending standards) but the correlation between declining Hispanic credit access and declining Hispanic workforce participation in lending professions suggests broader inferences. The development of credit policies and lending programs that embed a cultural awareness of unique Hispanic labor, income, and household formation and configuration patterns seems more likely when influenced from within the ranks of banks and mortgage lenders. Hispanic underrepresentation, even at entry-level roles in such professions, thus deprives the mortgage marketplace of opportunities for product and service innovations that simultaneously promote homeownership outcomes and ensure safe and sound lending.

In our view, remedying current underrepresentation patterns requires active outreach within communities that likely lack any awareness of the target occupations, of their educational and training prerequisites, or of their income and professional potential. As young Hispanics increasingly graduate from high school and secure admission to community and four-year college programs, they acquire many of the fundamental skills needed to succeed within financial services and lending occupations.

The Hispanic Wealth Project has therefore undertaken an initiative to develop and deploy an outreach and training program to promote awareness of financial services employment and occupation opportunities, to foster the development of the basic skills required for the pursuit of entry-level employment in such occupational categories, and to connect those who successfully complete training courses to employers seeking to increase Hispanic representation with the ranks of their lending professionals.

The initiative comprises three specific components: (1) Curriculum development and deployment; (2) Outreach and participant recruitment; and (3) Employer endorsement and sponsorship.

<sup>2</sup> <http://blog.metrotrends.org/2014/03/housing-bust-disproportionately-hurt-minorities>



## 2. Structured Mentorship for Hispanic Entrepreneurs

Lack of start-up capital is seen, almost universally, as the primary impediment to Hispanic small-business formation, and throughout the Hispanic Wealth Project, we will work to identify new capital sources, support initiatives that reduce barriers to capital access, and support innovative lending and investment programs. We note, however, that even unlimited capital access would fail to remedy the typical causes of small-business failure.

As with homeownership, small business sustainability is critical for genuine wealth creation. The adage that a quarter of all start-up businesses fail within their first year is borne out by multiple studies and statistics, and few cite capital access among the chief causes of failure. Incompetence and a general lack of business experience (i.e., beyond core product or service competency) are among the most recognized reasons for false-starts.

The Hispanic Wealth Project has therefore undertaken an initiative to bring structured mentorship to entrepreneurs and entrepreneurial aspirants. Drawing from the NAHREP membership—itsself, an assemblage of successful real estate and mortgage entrepreneurs—the Project will annually form the NAHREP Empresario Council. Comprising proven small business leaders with market experience across the industries touched by NAHREP, our council will support our structured mentorship efforts through one-on-one coaching during an eight month program.

Drawing from the NAHREP membership... the Project will annually form the NAHREP Empresario Council.

NAHREP members wishing to join the council will complete an online application highlighting their educational and business experience, as well as the business disciplines and/or industries in which their guidance would be most impactful for budding entrepreneurs. Council membership will renew each calendar year to provide mentorship opportunities for as many NAHREP members as possible, and to limit the time commitment asked of mentor participants.

Entrepreneurs seeking to participate in the structured mentorship program will complete an online application describing their business or business concept and their perceived area(s) of need for guidance. All entrepreneurial applicants must be recommended by a NAHREP member (who does not need to be a participant in the NAHREP Empresario Council).

Each year, applicants will be selected and invited to attend the NAHREP National Convention and Latin Music Festival. At “By Invitation Only” breakout sessions, selected entrepreneurs will meet their fellow mentees, be introduced to their mentor, and participate (with their mentor) in two, two-hour program overview sessions that will: (a) teach entrepreneurship fundamentals; (b) offer expert insights on success requirements and avoidable pitfalls; (c) explain how to make the most of the mentor relationship; and (d) detail the tracking and milestones to be achieved during the succeeding eight months.

At the end of the program, entrepreneurs and mentors will be recognized by the Hispanic Wealth Project, and entrepreneurs will be eligible to participate in the funding and lending programs that the Project recognizes or endorses.

During the ten-year term of the Hispanic Wealth Project, we aim to mentor one thousand Hispanic entrepreneurs and to thereby increase the success rates of their ventures.

## 3. Leading By Example – A NAHREP Focus Group for Asset Diversification

The NAHREP “familia” comprises many successful Hispanic entrepreneurs who have achieved significant wealth through the ownership and management of real estate brokerage and mortgage firms. Our initial inquiries into the asset diversification of these members found them to be representative of successful Hispanics at large.

In 2014, Prudential Financial released a research report entitled “The Hispanic American Financial Experience,” which aggregated survey results from 1,023 Americans who self-identify as “Hispanic.” Among the demographic data presented by the report was a tabulation of Financial Product Ownership revealing gaps between Hispanic and general population participation in a host of financial products.

Beyond a presentation of data, Prudential’s study offered meaningful insights that focused on a general lack of investment and understanding within Hispanic communities, a cultural aversion to debt, and persistent income inequality. Remedying such challenges may well require initiatives beyond the scope of the Hispanic Wealth Project, but we face an opportunity to test several of the solutions that Prudential offered all while setting examples—or even investment recipes—for other successful Hispanics.

From the ranks of NAHREP members, the Project will identify fifty of our most successful achievers to participate in a 2-year investment program. The program, to be developed within the context of the Project, will include education across a breadth of financial tools and resources and will devise a specific investment plan that aligns with each member’s individual wealth and retirement-planning goals. Data collected from the program—annualized returns, gross asset category values—along with participant feedback on the psychological and cultural changes that accompanied an investment reorientation will help the Project and others to structure targeted initiatives that achieve asset diversification on even broader scales.

Financial Products Owned	General Population	Hispanic	Hispanic \$75k+ Income	General Population \$75k+ Income
<b>Retirement</b>				
Workplace-based retirement plan (e.g., 401(k), 403(b), 457)	51%	38%	50%	60%
Workplace-based pension plan	23%	16%	27%	30%
Individual retirement account (IRA)	39%	19%	34%	52%
<b>Savings</b>				
Savings accounts	81%	62%	66%	87%
Education savings accounts	6%	4%	6%	11%
<b>Investments</b>				
Individual stocks	23%	8%	15%	33%
Individual bonds	11%	3%	5%	17%
Mutual funds	20%	7%	12%	27%
<b>Insurance</b>				
Workplace-based life insurance	47%	28%	37%	51%
Individual life insurance	37%	25%	33%	42%
Annuity	13%	5%	7%	17%
Long-term care insurance	13%	4%	7%	16%
Disability insurance	16%	11%	15%	19%

*Disclaimer: The Hispanic American Financial Experience is part of Global Communication’s signature research series, which examines the financial needs, resources and priorities of America’s multicultural communities, especially as they relate to planning for their financial future. The full report can be found at [www.prudential.com/hispanics](http://www.prudential.com/hispanics). The signature series also includes research on women, African Americans and the LGBT community.*

## ANNUAL PROJECT REPORTS and SYMPOSIUMS

From its inception, the Hispanic Wealth Project was designed to be actionable, inclusive and accountable. The initiatives, policies and programs we sponsor and endorse will be rooted in ideas but will be expressed for the results we achieve. We want to witness a tripling of Hispanic household wealth over the next ten years not as spectators, but rather as active participants whose work can be directly linked to our ambitious outcomes.

That work is also intended to draw from the talent, ideas and efforts of the NAHREP membership whose active participation is essential to the Project's success. We embark on the Hispanic Wealth Project precisely because NAHREP has demonstrated the capacity of our membership to make positive and durable impacts on the markets we have touched, to advance policy in the direction of Hispanic progress, and to create market opportunities for Hispanic entrepreneurs. Each initiative, policy and program underwritten by the Project will draw on the NAHREP membership for inspiration, endorsement and action.

Throughout the ten-year term of the Project, we also intend to remain accountable—to the NAHREP membership, to our sponsors, and to the many other supporters and advocates we gain. Each initiative, policy and program undertaken in the context of the Hispanic Wealth Project will be reviewed for alignment with our Project Goals, will be assessed for its specific targeted outcomes, and will be measured for its progress. Though continuous in nature, measurement will be reported annually through:

### *The Hispanic Wealth Project Annual Report*

Each year during the term of the Hispanic Wealth Project, we will produce an Annual Report for distribution to the Project's advisors and sponsors and to the NAHREP membership. Each Annual Report will begin with a high-level assessment of overall progress on the state of Hispanic wealth and, specifically, with progress on the Project Goals. The Annual Report will then: (a) provide an assessment of the initiatives, policies and programs undertaken during the prior year; and (b) introduce the new initiatives, policies and programs to be undertaken during the year ahead.

### *Symposiums and Project Gatherings*

The Annual Report will be released each year during an Hispanic Wealth Project Symposium. Held in concert with the Annual NAHREP Policy and Hispanic Lending Conference in Washington, DC, the Symposium will gather Project advisors and sponsors, along with the people and organizations who have undertaken initiatives, policies and programs in purposeful furtherance of the Project's goals. The Symposium will open with presentations from prior-year Project participants who will recap their efforts and chart their contributions in relation to the tripling of Hispanic household wealth. The Symposium will conclude with presentations from those participants whose initiatives, policies and/or programs have been selected or endorsed by the Project for the coming year.

## CONCLUSION

Pablo Picasso once said, “I begin with an idea and then it becomes something else.” And so it is with the Hispanic Wealth Project, that an ambition to triple Hispanic household wealth during the next decade has become a blueprint for Hispanic economic recovery and advancement, a roadmap for broadening Hispanic participation in the financial sectors of the American economy, and a plan for propelling Hispanic prosperity through initiatives that recognize abiding dimensions of Hispanic culture.

Of course, for ideas to have impact they must benefit from solid execution, they must move from concept to action, and their results must celebrate the ideas themselves. We therefore launch the Hispanic Wealth Project through three NAHREP-driven initiatives aimed to address homeownership, entrepreneurship and financial investing. During the coming year, we fully expect the work we undertake to yield measurable contributions to Hispanic household wealth, and we will eagerly track and report on these outcomes. But we have also launched our NAHREP-driven initiatives as a way to lead by example. Indeed, the ideas, initiatives, policies and programs that become the Hispanic Wealth Project throughout the decade ahead are intended to represent the collective contributions of all who view Hispanic wealth creation and retention as paramount American objectives.

So how can you participate?

### *NAHREP Members*

- Read the Blueprint and Attend Hispanic Wealth Project Symposiums
- Identify specific member outreach opportunities in the NAHREP-driven initiatives with which we have launched the Project
- Encourage young high school graduates and college students to enroll in the Project’s outreach and training program for financial services employment awareness
- Apply to the NAHREP “Empresario Council” and work to mentor a Hispanic entrepreneur
- Track the asset diversification strategies modeled for the NAHREP focus group and begin to strategically participate in the institutional financial services market

### *Corporations*

- Review the Project’s outreach and training program for financial services employment, and allocate recruitment resources to create opportunities for program graduates
- Structure funding and/or financing programs to channel capital to Hispanic entrepreneurs
- Join our Founder’s Circle through a financial contribution
- Review financial services product offerings to ensure accessibility for potential Hispanic consumers

### *Think Tanks and Foundations*

- Read the Blueprint and Attend Hispanic Wealth Project Symposiums
- Propose programs and policies that align with the Project’s goals and can supported as NAHREP-recognized initiatives
- Share research, data and findings with the Project to assist with our ongoing measurement of progress toward the ambitious goals we have embraced
- Join our Founder’s Circle through a financial contribution

### *Trade Associations*

- Read the Blueprint and join us at Hispanic Wealth Project Symposiums
- Identify your own association programs and policies that align with the Project’s goals and can be supported as NAHREP-recognized initiatives
- Join our Founder’s Circle through a financial contribution

### *Entrepreneurs*

- Apply for participation in our structured mentorship program
- Consider graduates from our financial services training programs for entry-level staffing opportunities as your business grows
- Track the asset diversification strategies modeled for the NAHREP focus group and begin to strategically participate in the institutional financial services market

Through our annual gatherings and our online presence, we intend to foster a growing community of contributors whose ideas and proposals align with the Project's goals, and whose contributed content thereby enrich the Project over time. The legacy of the Hispanic Wealth Project will thereby comprise: its outcomes; its component initiatives, programs, innovations and ideas; and a complete record of the broad discussion that inspired and informed its launch and journey.

We hope you will join us.





# NOTES

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