



The Hispanic Opportunity in Today's Marketplace Marketing and Marketplace Nuances

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Job loss and Foreclosures:

More than 134,000 job cuts were announced by mortgage and subprime lenders through September.

There have been three (3) consecutive record-breaking quarters of foreclosures.

Job losses have now extended into the general economy (construction, manufacturing, service industries)

Further complicated by the Credit Crunch:

Credit is increasingly hard to obtain for would-be homeowners.

Borrowers with both good and bad credit are being denied loans.

Subprime has impacted all corners of the U.S.:

“As America’s mortgage markets began unraveling this year, economists seeking explanations pointed to “subprime” mortgages issued to low-income, minority and urban borrowers. But an analysis of more than 130 million home loans made over the past decade reveals that risky mortgages were made in nearly every corner of the nation, from small towns in the middle of nowhere to inner cities to affluent suburbs.” – The Wall Street Journal, October 11, 2007

Hispanic Lending does not mean Subprime Lending:

“The homeownership rate among Latinos is the highest it’s ever been, even though 40 percent of the subprime mortgages that were made in 2005 and 2006 were made to Hispanics in the United States.” -- NAHREP, *Latino Homebuyers Increase Despite Slump*, (Ventura County Star; October 12, 2007)

Hispanic Homebuyers:

- Hispanic borrowers have been disproportionately hit by predatory practices and failures in the subprime category.
- \$24.8 billion in estimated foreclosures for Hispanics in 2007.
- \$52 billion in projected foreclosures for Hispanics in 2008.

Sources: Mortgage Banker’s Association, The Federal Reserve Bank, Ventura County Star



Hispanic Market

- Non-traditional Credit / No Credit
- Many First-time Homebuyers / New to process
- 0% Down / Down Payment Assistance
- Border Income



Subprime

Subprime Definitions

- **Subprime:** Credit with higher risk characteristics, such as bankruptcy or collection accounts.
- **Subprime:** A term referring to borrowers with a less-than-perfect credit history, also called B&C credit.



Credit
challenges

The Hispanic Opportunity



Hispanic Population and Growth: Estimated 44.3 million; Expected to increase by 118.9% between 1990 and 2010. By 2010, nearly one person out of every six in the U.S. will be of Hispanic origin.

Age: Younger. “Hispanics are now the largest minority group in the U.S., and represent an increasing proportion of the age group involved in most home sales – 26 to 46 years of age...the Hispanic community is expected to continue to grow at a rate three times faster than the general population...” --*The Potential of Hispanic Homeownership*, Alejandro Beccera / NAHREP

Hispanic Purchasing Power: \$798 Billion, projected to reach \$1 Trillion by 2010.

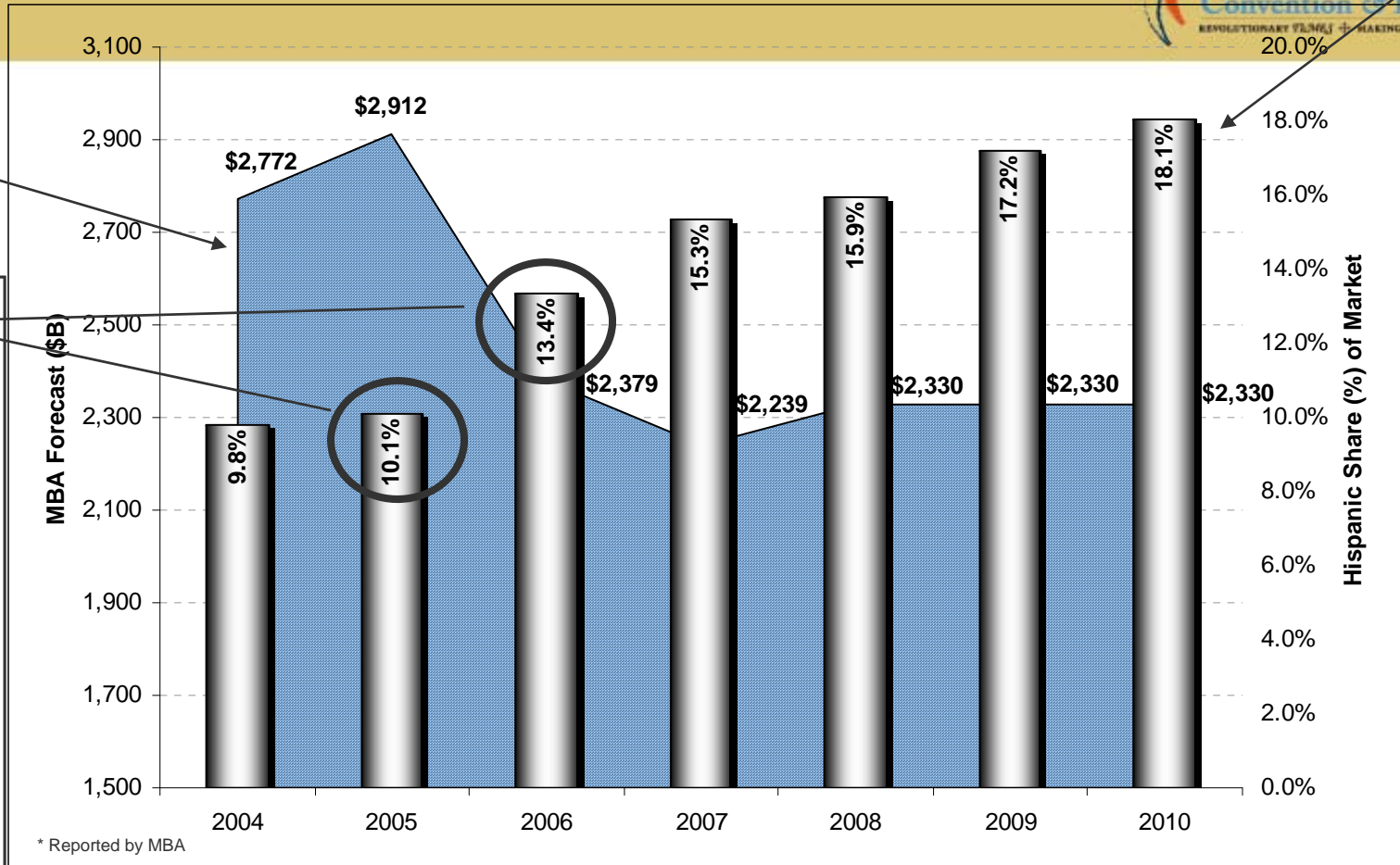
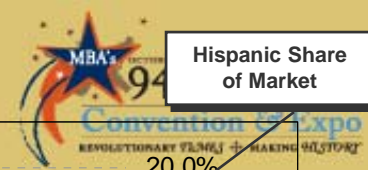
Hispanic Homeownership: While homeownership has been flat at the national level for Non-Hispanic Whites, Hispanic homeownership has steadily risen in last 20 years. Homeownership for nearly all other segments have decreased since 2004 except for Hispanics. (Non-Hispanic Whites: 2004—76%, 2007—75.4%; African Americans: 2004—49.1%, 2007— 46.3; Hispanics: 2004—48.1%, 2007—50%)

First-Time Homeowners: “Over the next 20 years Hispanics are expected to make up 40% of all first-time homebuyers. They are estimated to make up close to 33% of all homebuyers by the end of this decade.” --*The Potential of Hispanic Homeownership*, Alejandro Beccera / NAHREP

Net Message:

We cannot ignore demographics and the changing face of the United States. The Hispanic Market will continue to be a huge growth opportunity. If organizations chose not to participate, they may suffer overall loss of marketshare.

Projected Growth in the Hispanic Mortgage Market



MBA Market Volume Forecast

Hispanic Share of Market

Due to:

- Shift in market from Refi to Purchase
- Hispanics make up large share of purchase market.
- Increased Hispanic knowledge of Mortgage process
 - Low Base of Hispanic homeownership
- Increased focus on Hispanics by Mortgage Industry

Hispanic Originations (\$B)	\$271.0	\$293.6	\$317.8	\$343.7	\$371.3	\$400.9	\$420.9
Hispanic Share of Overall Market	9.8%	10.1%	13.4%	15.3%	15.9%	17.2%	18.1%
Average Loan Amt (\$K)	\$169.1	\$177.5	\$186.4	\$195.7	\$205.5	\$215.8	\$226.6

Net Message: Hispanics are projected to make up a larger share of the mortgage market due to growth in Hispanic homeownership and the retirement of many non-Hispanic baby-boomers, who will exit the mortgage arena.

- The MBA reports that the Hispanic market represented 9.8% (\$271MM) of total mortgage originations in 2004. This is consistent with the 2004 HMDA report which claimed a Hispanic market share of 10.1%.
- Freddie Mac has forecast roughly a 3% annual increase in total Hispanic homeownership through 2010.
- This model assumes that all incremental increases in Hispanic homeownership (prior bullet) results in a new mortgage.
- In addition to assuming increases in units, average loan amount has been increased by 5% annually to reflect inflation and assumed increase in buying power.
- Lacking forecast data for 2009 and 2010, total market projections have been kept flat from 2008.

Education and Outreach

- Educate yourself on the Hispanic Consumer in your market.
 - Segmentation is critical. Determine your market, then your strategies for outreach, messaging and product needs.
 - Become part of the Hispanic Community. Focus on grass-roots marketing and outreach through trusted advisors.
 - Determine what tools are available.
 - NAHREP—NAHREP University, “The Potential of Hispanic Homeownership”
 - CHCI—“Housing Resources Directory”, “True Life Stories”
 - NCLR—“Saving Homes, Saving Communities: Latino Brokers Speak Out on Hispanic Homeownership”
- Educate your customer.
 - FHLMC—Credit Smart
 - FNMA—Novella, Various publications in Spanish, Mortgage Documents

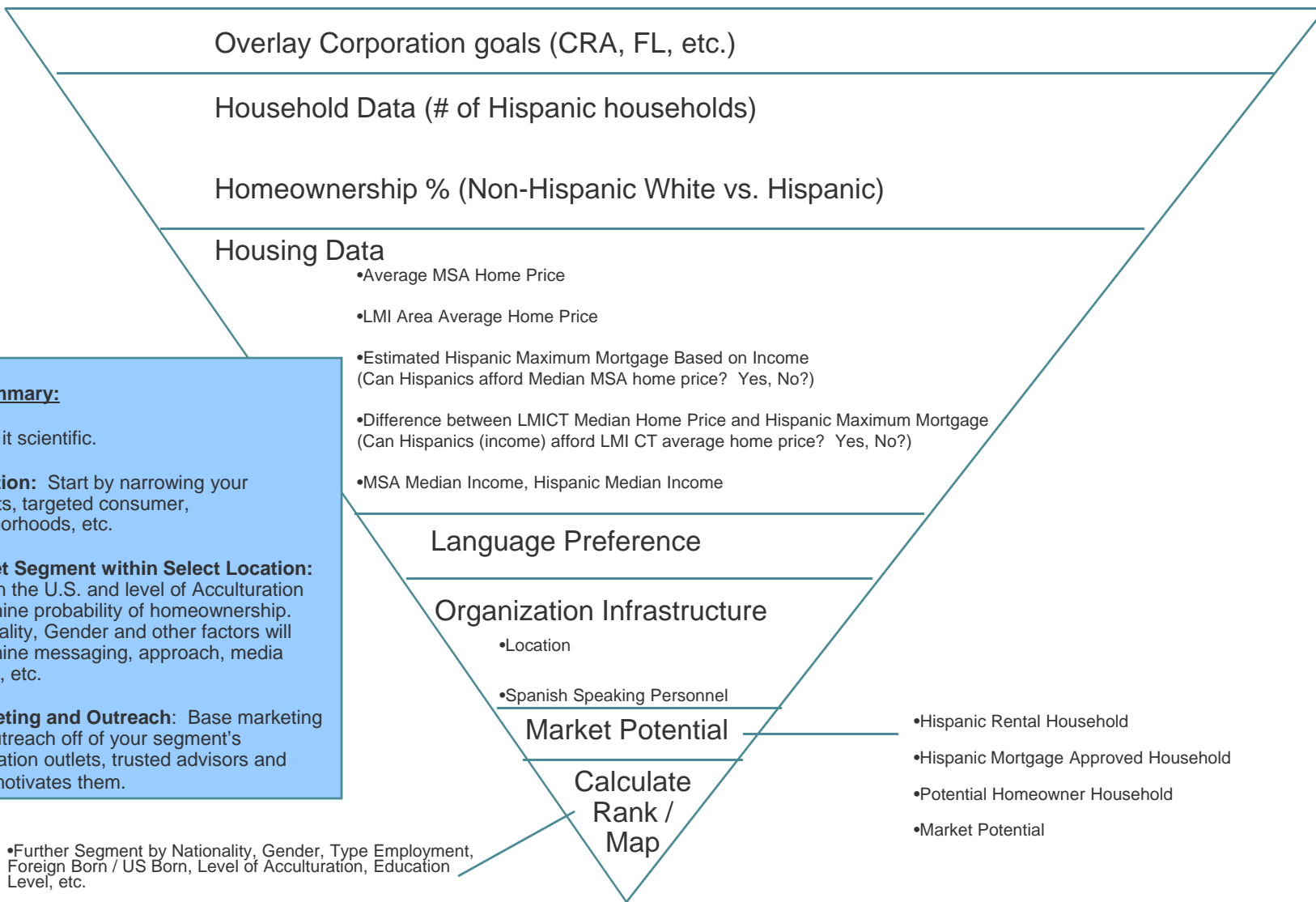
Education = Trust
Trust = Relationships
Relationships = Loyalty
Loyalty = Referrals

The Offering: May or may not be “business as usual”.

- Determine how / if your offering fits the needs of the segment you are serving. (This doesn’t mean new products necessarily need developed. It could mean how you are communicating, personnel, materials, etc.)
- Adjust accordingly.

Segmentation

Narrow the scope. One size does NOT fit all.



Overlay Corporation goals (CRA, FL, etc.)

Household Data (# of Hispanic households)

Homeownership % (Non-Hispanic White vs. Hispanic)

Housing Data

- Average MSA Home Price
- LMI Area Average Home Price
- Estimated Hispanic Maximum Mortgage Based on Income (Can Hispanics afford Median MSA home price? Yes, No?)
- Difference between LMICT Median Home Price and Hispanic Maximum Mortgage (Can Hispanics (income) afford LMI CT average home price? Yes, No?)
- MSA Median Income, Hispanic Median Income

Language Preference

Organization Infrastructure

- Location
- Spanish Speaking Personnel

Market Potential

- Hispanic Rental Household
- Hispanic Mortgage Approved Household
- Potential Homeowner Household
- Market Potential

Calculate Rank / Map

•Further Segment by Nationality, Gender, Type Employment, Foreign Born / US Born, Level of Acculturation, Education Level, etc.

Targeted Consumer & Potential Opportunity

In Summary:

- Make it scientific.
- Location:** Start by narrowing your markets, targeted consumer, neighborhoods, etc.
- Target Segment within Select Location:** Time in the U.S. and level of Acculturation determine probability of homeownership. Nationality, Gender and other factors will determine messaging, approach, media outlets, etc.
- Marketing and Outreach:** Base marketing and outreach off of your segment's information outlets, trusted advisors and what motivates them.

Sample Findings to Select Targeted Markets



- **San Francisco** is the 3rd largest Hispanic HH market and there are 0 Hispanic priority branches. The Hispanic homeownership rate in SF is 7.9%, which signals opportunity. However, the average home value is an astronomical \$704,088 (SF is an anomaly in the analysis of home price).
- There are more Hispanic homeowners in **Miami** than whites. However Hispanics make up 57% of the population, while whites are only 20%. Miami also has the lowest income disparity between Hispanics and whites at 6% (due to the ethnic demographics).
- **New York** and **Los Angeles** have the highest concentration of Hispanics, but have some of the least affordable home prices (18th and 17th, respectively). New York has one of the lowest homeownership rates among the Top 20 (10%), while LA is ranked 7th (25%). Home affordability appears to be the biggest obstacle in these markets.
- Only 10.4% of Hispanics are homeowners in **Chicago** (vs. 72% whites). Chicago ranks 6th in Hispanic HH's and also has the 2nd highest income disparity in the Top 20 markets (32% less than the MSA avg). Chicago ranks 13th out of 20 in home prices, which could explain the homeownership disparity between Hispanics vs. whites.
- **San Antonio** represent a great opportunity for Hispanic market penetration in both Purchase and Refi business. San Antonio is the 7th largest Hispanic HH market, 42% of Hispanics are homeowners (vs. 49% whites), the median Hispanic income is only 18% below whites, and the average home price is the 3rd lowest among the Top 20 markets (\$102,697). San Antonio presence and Spanish speaking staff present.
- **El Paso, TX** is another opportunity market. El Paso ranks 11th in Hispanic HH's, the highest Hispanic homeownership rate at 76%, the 2nd lowest average home prices at \$77,594, and the highest Spanish speaking percentage at 97%. Please note that Hispanics are also 78% of the population. No current presence.
- **Brownsville, TX** has the most affordable homes (\$69,198 avg.), 2nd highest Hispanic homeownership (73.5%), and the highest Spanish speaking rate (98.5%). Note that Brownsville is a border-town in southern Texas, which explains the ethnic demographics.

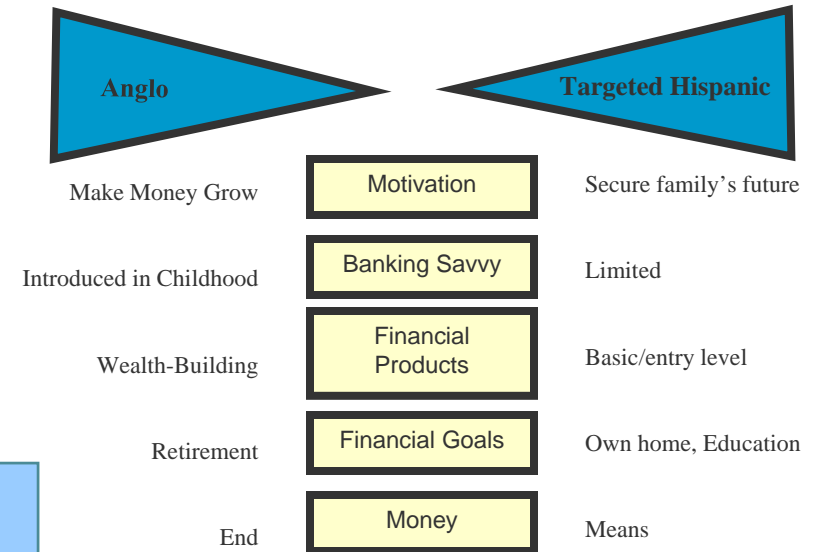
Likely Characteristics

- First and Second Generation
- Spanish-Speaking or Bilingual, many with a Spanish Preference
- Non-acculturated or semi-acculturated
- First-time Homebuyer
- Live in metropolitan areas
- Age 25-45, generally younger than overall population
- 4.0 People per Household
(does not include extended family)
- High-school, some college
- Work in the Service Industry
- Top Barriers to Homeownership: Down Payment, Education of process, Lack of Credit

What Motivates my Targeted Consumer?

- **Family** and **security** are key to decision making.
- Establishing **relationships** based on **trust**, and **respect** is critical.
- **Cultural Recognition** and **language** are highly valued.
- **Brand** that establishes connection w/ consumer = proxy for success.
- Strong **need to move forward** and Achieve the “American Dream”.

Hispanic Attitudes towards Money



Net Message:

Knowing your consumer is critical and should drive your marketing and outreach strategy, messaging, content, look and feel and your offering.

Source: “The Whole Enchilada, Marketing 101, Juan Faura. 2004

- Hispanic does not mean subprime.
- While other segments have plateaued, Hispanic homeownership continues to grow.
- U.S. demographics demonstrate a huge opportunity for additional growth in Hispanic homeownership.
- Nearly 20% of the mortgage market is projected to be made up by Hispanic consumers by 2010, double of the Hispanic mortgage originations in 2004.
- Education is critical for you and your consumer to appropriately address the needs of the consumer, determine your marketing and outreach, products and services and to earn the loyalty and referrals of the Hispanic community.
- One size does NOT fit all.