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UNDERSTANDING LATINO HOMEBUYERS

BY JACK C. HARRIS

There is no more dynamic demographic trend than the growing prominence of the U.S. Latino population. In 1990, they were just 5.6 percent of the population. Ten years later, they were 12.5 percent of the total.

In Texas, people of Hispanic origin make up 32 percent of the total population and 38 percent of Texans ages 20 to 34. They will be the majority by 2040.

Despite their growing numbers, Latinos have yet to become a major presence in the homebuying market. While the overall U.S. homeownership rate is more than two-thirds, fewer than half of Latino households own their homes.

Latino households represent a vast, untapped source of homebuyers. But are Latino buyers different from those of other ethnic groups? Do brokers need to design marketing strategies, services and business dealings that specifically appeal to Latinos?

To answer these and other questions regarding homebuying among various ethnic groups, the Real Estate Center contracted with Harris Interactive to survey current homeowners and prospective Texas homebuyers. Of the more than 4,000 Texans telephoned, 1,870 were Latino.

The survey provides insight into how buyers from different ethnic groups search for a home and their perceptions of real estate professionals. The survey results are not a blueprint for agents to use to stereotype customers according to ethnic characteristics. Rather, survey responses can help agents understand the real estate related behaviors of clients of different cultural backgrounds. By better meeting these clients' needs, they may also increase sales.

TESTING PREVIOUS STUDIES

The survey was designed to ensure that the proportion of responses from Anglos, Latinos, African-Americans and Asians matched those groups' representation in the general population. This allows for better data analysis.

For example, survey data indicate that Latino respondents have less experience with homebuying and using real estate agents and are younger and less affluent than the group of respondents as a whole (Table 1). The mean value of homes owned by all respondents was \$114,300; for Latinos, it was \$85,500.

These differences can be neutralized by comparing the ethnic groups within subgroups of similar demographics. For example, the homebuying decision may vary by age. To see if the decision also depends on ethnic background, each group can be compared within the same age bracket.

Previous studies conducted by other organizations have yielded a number of assumptions about the financial dealings of Latinos.

- Latinos tend to be more conservative with credit and are concerned about high monthly payments.
- Latinos are slower to make decisions and must be made to feel that they are important to the person providing the

service. They generally do not like a straightforward, no-nonsense business approach.

- Latinos consider the homebuying process difficult. Financing a home purchase is perceived as difficult, largely because of lack of knowledge or misconceptions about how much cash is required.
- Latinos often find housing through personal contact with acquaintances rather than through an agent, though they often buy with the assistance of government programs.
- Latinos fear being taken advantage of or being discriminated against, largely because they lack experience in financial matters. Therefore, they are wary of professionals, such as real estate brokers and lenders.

FINANCIAL CONSERVATISM

Respondents who said they likely would buy a home in the near future indicated how much more than their current rent they would be willing to pay to buy a home. Wary of getting into financial difficulties, 44 percent of Latinos said they would pay no more than current rent, compared with 38 percent of all respondents.

This difference may merely reflect the fact that more Latinos earn less. People with lower incomes are more likely to be paying as much as they can afford in rent already and therefore may be reluctant

to obligate themselves to higher payments. When responses were split by income as well as ethnicity, however, only Latinos with incomes below \$50,000 displayed greater reluctance to pay more.

Eighty percent of Latino respondents agreed that it is important to pay off a home loan early compared with 77 percent of all respondents. Thirty-five percent say they are willing to wait until they can save enough cash to buy a home, compared with only 23 percent overall. While more Latinos in all income brackets say it is good to pay off a loan early or to wait and pay cash, the differences are statistically significant for only some income levels.

On the other hand, only 17 percent of Latinos say they would be uncomfortable making a very small down payment on a home, while 27 percent of the

TABLE 1. SELECTED CHARACTERISTICS OF LATINO RESPONDENTS

	Percent of Total Sample	Percent of Latino Sample
Currently own home	58	45
Do not own now but owned home in past	17	11
Lived in current home less than three years	22	26
Have never used real estate agent to buy home	24	33
Have never used agent to sell home	51	74
Under 30 years old	21	29
Over 60 years old	16	9
Primary language is English	80	46
Primary language is Spanish	17	51
Feel comfortable conducting business in English	49	46
More than two adults in household	26	32
No children	50	34
Four or more children	4	8
High school education or less	44	62
Grandparents born in the United States	63	29
Lived in the United States no more than 10 years	10	24
Less than \$25,000 income	22	33
Greater than \$75,000 income	15	7

Source: Real Estate Center at Texas A&M University

overall sample would. The tendency for Latinos to feel comfortable with low down payments is significant at most income levels. It is possible that many Latinos do not see a low down payment as increasing their financial responsibility and risk. Instead, they may consider it the only way to make homeownership possible.

The Center's survey results suggest that financial conservatism is not an inherent characteristic of Latino homebuyers. Rather, it is related to income, with lower-income households less likely to be willing to pay more for a house than they currently pay in rent.

DELIBERATE DECISION-MAKING

When asked how many homes they toured before buying, Latino homeowners reported looking at fewer homes: 61 percent visited fewer than five homes compared with 54 percent of all respondents.

Nearly 50 percent of Latinos working with an agent viewed fewer than five homes, compared with 41.4 percent of non-Latinos. The differential is even wider for those not using agents — 77.5 to 66.4 percent.

Forty-four percent of Latinos agreed with the statement "real estate agents don't take the time to understand your needs." Another 17 percent strongly agreed compared with 38 and 13 percent, respectively, for all respondents. When responses of those with or without experience with an agent were compared, the differences remained. Almost 45 percent of Latinos who had used an agent agreed with the statement (19 percent strongly agreed) versus 40 percent of non-Latinos (10 percent strongly agreed).

Survey results indicate that Latinos desire more communication with the agent than respondents as a whole, whether buying or selling. Daily communication was preferred by 16 percent of Latino buyers and 19 percent of sellers compared with 13 percent of all buyers and sellers.

When these results were compared by income as well as ethnicity, the bias toward more communication persisted. Only Latino buyers in the \$25,000–\$50,000 income brackets did not prefer daily communication more than non-Latinos in the same brackets.

Latino respondents used agents less often than other buyers. This may have made it inconvenient for them to arrange to view homes, and thus may account for Latinos visiting fewer homes before buying. Unquestionably, Latino respondents prefer agents who take the time to understand what they want. They also prefer more frequent contact during the buying and selling process.

DIFFICULTY WITH HOMEBUYING

Latino respondents found homebuying more difficult than did other respondents (Table 2).

What made these tasks more formidable to Latino respondents? When responses are compared within comparable

age brackets, the answer is unclear. However, the differences are significant and pervasive across age brackets on four tasks: knowing how much house they can afford, knowing how much mortgage they can get, finding a real estate agent and understanding inspections. This could be because understanding mortgage qualifying formulas, what makes a good agent and house construction methods comes through buying homes, not just

getting older.

While 45 percent of the overall sample either strongly or somewhat agreed that qualifying for a mortgage loan is difficult, 60 percent of Latinos felt that way. When compared across income

brackets, the difference between Latino and non-Latino respondents persisted, except for those Latino respondents with incomes above \$125,000.

Latino respondents' perceptions of the difficulties of buying a home may reflect inexperience with this type of decision-making or a legacy of past discrimination. In either case, the perception should diminish as more Latinos participate in the housing market.

PERSONAL REFERRAL

Survey results verify a tendency for Latinos to rely on personal contacts for important decisions, but only within certain age groups.

TABLE 2. PERCENTAGE OF RESPONDENTS EXPRESSING DIFFICULTY WITH HOMEBUYING TASKS

	Total Sample	Latino Sample
Deciding on neighborhood	19	25
Selecting specific home	26	31
Knowing if you got a good deal	20	26
Knowing how much home you can afford	20	31
Knowing how much mortgage you can get	20	33
Gathering necessary paperwork	29	37
Finding an agent you feel comfortable with	18	28
Knowing you made good investment	13	18
Understanding home inspections	23	35

Source: Real Estate Center at Texas A&M University

When choosing a neighborhood, 43 percent of Latino respondents said they rely on friends, family and work associates compared with 38 percent of all respondents. Only 30 percent preferred to drive through the areas, while 34 percent of the total sample did. When compared by age, these preferences remained but were statistically significant only for Latino respondents 30 to 50 years old.

For help with the buying decision, 30 percent of Latinos said they relied on their parents; 26 percent consulted real estate agents. Overall, respondents preferred agents to parents, 30 percent to 23 percent.

As might be expected, reliance on parents' advice falls off quickly with age, but this drop-off is not as rapid for Latinos. Even respondents 50 to 59 years old rely on parents almost as much as they do on agents (20 percent to 25 percent) while non-Latinos of similar age prefer agents four to one.

When it came to finding a real estate agent, differences among ethnic groups were slight. However, 49 percent of Latinos mentioned a referral from a friend or relative compared with 46 percent of the total sample. This tendency was most pronounced for respondents over age 50 and was mostly confined to referrals to a firm rather than to a specific agent.

Survey results confirmed that Latinos use personal networks — acquaintances and relatives — to gather information and advice when making important decisions.

WARE OF PROFESSIONALS

Homeowners and likely buyers were asked how much they agreed with a series of statements about real estate agents. For most of the statements, the percentage of Latinos who agreed approximated the entire sample. However, there were exceptions.

While 67 percent of the overall sample agreed that "real estate agents are trustworthy," only 64 percent of Latinos concurred. However, 78 percent of Latinos said it is a good idea to use a real estate agent compared with 76 percent of total respondents. This seemingly contradictory result is more understandable when the responses are divided into those who have used agents and those who have not.

Latinos who have never used an agent are much more likely than non-Latinos to say that agents are untrustworthy. There was no significant difference between Latinos and non-Latinos who had experience with an agent. Likewise, Latinos who had

used an agent were significantly more likely to say that using an agent was valuable.

Latino respondents prefer using agents when buying property rather than when selling. Seventy-one percent of the overall sample said they would use an agent when buying their next home, and 72 percent of Latinos agreed. Yet when asked if

they would use an agent to sell their home, 46 percent of Latinos said they would, compared with 51 percent of all respondents. Thirty-eight percent of Latinos said they would try to sell their own house, with 34 percent of all respondents agreeing.

While the percentages of those who would try to sell their home decline as income rises for non-Latinos, it does not change much at all for Latinos. Fully 40 percent of Latinos making more than \$125,000 say they would sell their homes without an agent.

Latinos' intention to use an agent when buying a home falls off with age. Eighty-nine percent of those under age 20 said they would use an agent, while only 68 percent of those 60 and older would do so.

Among those who already had used an agent to buy, more Latinos (73 percent) than non-Latinos (66 percent) said they would recommend their agent to others. This difference was not statistically significant when compared based on age.

Survey results suggest that Latinos' attitudes toward agents improve as they gain experience working with agents. However, many Latinos do harbor a bias against using an agent to sell a home.

Based on survey findings, agents serving Latino buyers should recognize that their clients will tend to be younger, less affluent and have less experience with buying homes and working with agents. Awareness of how many of these buyers approach the homebuying process and what type of service they want from real estate professionals may lead to better service and more successful transactions. ♣

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