



**Freddie Mac
Community Lender Presentation
State of AAPI Housing
August 23rd, 2016**

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Introduction to AREAA

ABOUT AREAA

Founded in 2003, the Asian Real Estate Association of America (AREAA) is a nonprofit professional trade organization dedicated to promoting sustainable homeownership opportunities in Asian American communities by creating a powerful national voice for housing and real estate professionals that serve this dynamic market. With over 15,000 members in 37 chapters across the US and Canada, AREAA is the largest Asian professional trade organization in North America.

For over a decade now, AREAA events have been known to provide excellent opportunities for networking with peers and practitioners, to exchange ideas and strategies, and to build partnerships and friendships that last a lifetime. It is also an opportunity to interact with experts on hand who can offer creative solutions to the challenges you face.

HIGHLIGHTS

- 37 chapter throughout the US and Canada
- Over 15,000 members
- 2 annual National Events – Global + Luxury Summit in the Spring, and the National Convention each Fall
- Annual Policy Summit in Washington D.C.
- Annual International Trade Missions
- Specialty Networks (for those working in the international, luxury, commercial and default markets)
- Annual National educational and networking events
- Discounted pricing for members to all AREAA events, FREE webinar training to help fine-tune your skill sets

OUR MEMBERS

AREAA's membership represents a broad array of real estate, mortgage and housing-related professionals that serve the diverse Asian North American market. AREAA is the only trade association dedicated to representing the interests of the Asian real estate market nationwide.

AREAA prides itself on the professionalism and ethical standards of its members. We offer multiple National and Local training events to keep our members abreast of the latest trends and standards in the industry.

Membership includes housing and real estate professionals of all cultural backgrounds and is open to anyone who wishes to promote homeownership within and connect their business to this diverse and economically powerful segment of the population.

OUR CHAPTERS

Aloha Hawaii

Atlanta Metro

Austin

Boise

Boston

Central Florida

Central New Jersey

Central Valley

Chicago

Dallas/FW

DC Metro

Denver*

East Bay

Houston

Inland Empire

Las Vegas

Los Angeles

Miami

New York East

New York Manhattan

Northern New Jersey

Orange County

Phoenix

Portland

Sacramento

San Diego

San Fernando Valley

Seattle

SF Peninsula

Silicon Valley

South Bay

Tampa Bay*

Toronto*

Tri-County

Twin-Cities*

Vancouver

*Formed within last calendar year

POLICY FOCUS

- No Other Campaign – SUCCESS
 - Sought to get distinct AAPI Category in US Census Bureau's Quarterly Reports on Homeownership by Race
 - Allows for better research of community, which leads to better and more effective policies
 - As of July 28th, AAPI have been given standalone category
- Credit Reform
 - AAPI face difficulty in securing credit due to cultural differences
 - Many come from countries that do not value debt
 - Alternative Credit Systems can help many AAPI get scored by taking into account common sense factors such as rental history, utilities, and more
 - Shown to be as accurate and reliable system as traditional model
- Language Barriers
 - 77% of AAPI speak a language other than English
 - 4 out of 5 prefer in-language financial materials
 - Acts as a barrier, preventing many AAPI was even attempting to purchase a home
 - Seek to have more financial documents provided in-language

State of AAPI Housing

OVER THE LAST FIVE YEARS

- Asian Americans produced **2 million** loans -
- For **\$600 Billion** in mortgage originations -
- With an average loan balance of **\$300,000** -
 - The **highest** of any community -

LATEST CENSUS QUARTERLY REPORT ON HOMEOWNERSHIP – BY RACE

Table 7. Homeownership Rates by Race and Ethnicity of Householder: 2012 to 2016

Year/Quarter	Homeownership Rates (percent)											
	United States		Non-Hispanic White alone		Black Alone		All Other Races				Hispanic (of any race)	
							Total ^a		Asian or Native Hawaiian/Pacific Islander			
	Rate	MOE ^b	Rate	MOE ^b	Rate	MOE ^b	Rate	MOE ^b	Rate	MOE ^b	Rate	MOE ^b
2016												
Second Quarter	62.9	0.5	71.5	0.4	41.7	0.9	51.2	1.1	53.7	1.3	45.1	0.9
First Quarter	63.5	0.5	72.1	0.4	41.5	0.9	53.0	1.1	55.7	1.3	45.3	0.9
2015												
Fourth Quarter	63.8	0.5	72.2	0.4	41.9	0.9	53.3	1.1	X	X	46.7	0.9
Third Quarter	63.7	0.5	71.9	0.4	42.4	0.9	53.7	1.1	X	X	46.1	0.9
Second Quarter	63.4	0.5	71.6	0.4	43.0	0.9	52.6	1.1	X	X	45.4	0.9
First Quarter	63.7	0.5	72.0	0.4	41.9	0.9	55.4	1.1	X	X	44.1	0.9
2014												
Fourth Quarter	64.0	0.5	72.3	0.4	42.1	0.9	55.3	1.1	X	X	44.5	0.9
Third Quarter	64.4	0.5	72.6	0.4	42.9	0.9	54.2	1.1	X	X	45.6	0.9
Second Quarter	64.7	0.5	72.9	0.4	43.5	0.9	54.7	1.1	X	X	45.8	0.9
First Quarter	64.8	0.5	72.9	0.4	43.3	0.9	55.8	1.1	X	X	45.8	0.9
2013												
Fourth Quarter	65.2	0.5	73.4	0.4	43.2	0.9	56.0	1.1	X	X	45.5	0.9
Third Quarter	65.3	0.5	73.3	0.4	43.1	0.9	55.2	1.1	X	X	47.6	0.9
Second Quarter	65.0	0.5	73.3	0.4	42.9	0.9	54.5	1.1	X	X	45.9	0.9
First Quarter	65.0	0.5	73.4	0.4	43.1	0.9	54.6	1.1	X	X	45.3	0.9
2012												
Fourth Quarter	65.4	0.5	73.6	0.4	44.5	0.9	55.2	1.1	X	X	45.0	0.9
Third Quarter	65.5	0.5	73.6	0.4	44.1	0.9	54.6	1.1	X	X	46.7	0.9
Second Quarter	65.5	0.5	73.5	0.4	43.8	0.9	55.0	1.1	X	X	46.5	0.9
First Quarter	65.4	0.5	73.5	0.4	43.1	0.9	55.1	1.1	X	X	46.3	0.9

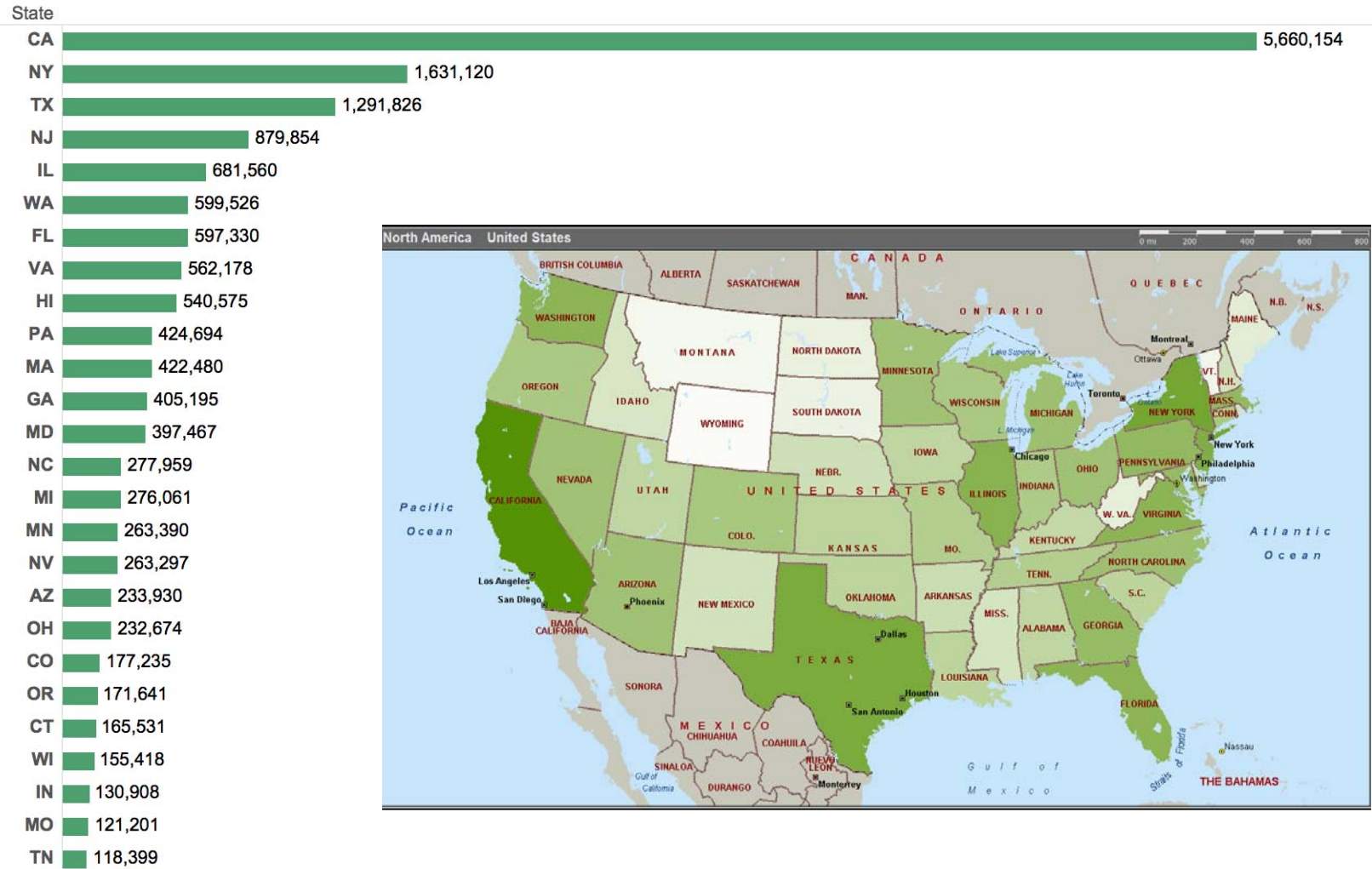
Quick Facts and Takeaways on AAPI Housing

- The AAPI community applied for, and received, the largest share of purchase money mortgages of any minority group in terms of both number and monetary value.
- From 2000 to 2010, the number of home purchase loans extended to AAPI increased by 15%, nearly identical to non-Hispanic whites
- In terms of borrower characteristics, AAPI generally have...
 - High credit scores
 - Low Debt-to-Income ratios
 - Low Loan-to-Value ratios
 - Low APRs
- However, at the lowest income levels AAPI face higher rates of mortgage application denial than any other ethnic or racial group
- Conversely, at the highest income levels, AAPI denial rates are indistinguishable from non-Hispanic whites.
- According to research by Freddie Mac, AAPI are...
 - Generally averse to debt
 - More inclined to make large down payments

Housing and Population Trends

- Current estimated population – 19.4 Million
- The AAPI grew by 45% between the 2000-2010 Censuses
 - The fastest growing segment of the US Population
- The AAPI population is expected to top 40 million by 2050
- 79% of AAPI above the age of 18 is foreign born
 - Conversely, 79% of those under 18 were born in the US
- The South and the West made the biggest gains in AAPI population
 - Though all regions, and every state except Hawaii, experienced at least 30% growth in AAPI population
- China and India have replaced Mexico as largest source of immigrants to US

AAPI Population Concentration



Housing Trends

Median Home Values Among AAPI:

1. Chinese (Except Taiwanese) - \$462,100
2. Korean - \$384,500
3. Asian Indian - \$377,700
4. Filipino - \$317,700

Homeownership Rate Among AAPI:

1. Chinese (Except Taiwanese) – 64.4%
2. Filipino – 63.2%
3. Thai – 62.5%

More Trends

By 2024...



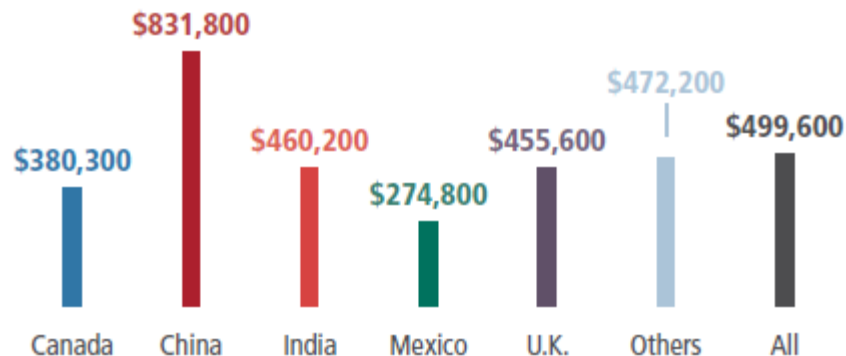
- There will be 1.8 million more Asian households formed
- There will be 33% more new minority homebuyers than non-Hispanic White
- 88% of all new rental demand will come from minority communities

Asian Foreign Investment Stats and Trends

Investment from Asian countries, particularly China, has seen an unprecedented rise in recent years

- Total foreign sales volume reached \$104 billion (8% of total existing home sales).
- Foreign clients pay on average twice as much for their home as US buyers and prefer new homes to resale.
- Over half of these sales are all cash.
- Worldwide, property investors perceive the US as a secure, attractive location.

Average Home Purchase Price by Foreigners
12 Months Ending March 2015



Obstacles and Opportunities

THE MODEL MINORITY MYTH

While it is certainly true that some portions of the AAPI community have enjoyed quite a bit of success, it is important to note that this is simply not the case for a vast number of AAPI. Here are some facts that may help dispel this notion that AAPI are not in need of government assistance or protection.

- 26% of AAPI are considered low-income
- AAPI face a 13% poverty rate – the same as the US general population - according to the American Community Survey by the US Census Department
- Laotians, Cambodians, and Hmongs have been far less successful than their Indian and Chinese counterparts (and that is not to say that *all* Chinese and Indians have been successful, either)

These numbers prove that it can be very difficult, if not impossible, to speak of an “Asian American Experience.” Because of the vast number of countries, languages, and cultures in what is referred to as “Asia”, their experiences can only be expected to vary as much in the US as they do in their nations of origin.

Wealth Imbalance



Half of all income for AAPI goes to the top 20% of earners...



...while the bottom 40% take home just 13%.¹⁶

INVISIBLE CREDIT

Many Asian cultures simply do not value traditional Western debt, and as such, have very little to no credit history. While many AAPI may be able to easily afford rent, utilities, and other expenses, because they tend to pay for things outright with cash, it is difficult for them to establish a credit score good enough to secure an affordable home loan.

Alternative credit scoring models would help with this issue by taking examining other data-sets that could predict credit worthiness (namely rent and utility payments). With the adoption of alternative credit models, which takes into account rent and utility payments, 280,000 AAPIs would be able to establish or improve their scores - allowing them to enter the housing market for the first time.

A Note on Discrimination...

Discrimination Against Asian Americans in Housing

Asian renters who contact agents about recently advertised housing units **learn about 10% fewer available units and are shown nearly 7% fewer units** than whites.

Asian homebuyers who contact agents about recently advertised homes for sale **learn about 15% fewer available homes and are shown nearly 19% fewer units** than whites.³⁵

Closing Statements

The AAPI community is the **fastest growing** population in the US

The population has been moving beyond traditional gateways, with every state except Hawaii experiencing **at least 30% growth**

They are the largest minority participants in the purchase money mortgage market – **receiving nearly 2 million loans worth more than \$600 Billion**

However, AAPI still face myriad challenges, such as **invisible credit, wealth inequality, stereotypes, and discrimination**

Language also continues to be a major barrier to entry of the housing market

Alternative credit systems, language assistance programs, and more research into AAPI community will help alleviate some of these issues



Thank You!

A banner for the Freddie Mac CONNECT! Customer Summit. The background features a blurred image of a diverse group of business professionals in a hallway. On the left, there is an aerial view of a residential neighborhood with houses and a road. On the right, there is a close-up of a financial document with numbers like (\$10,275.00), \$23,154.00, and (\$9,606.00). The text 'Freddie Mac CONNECT!' is in green and blue, with 'CONNECT!' in a larger, bold blue font. Below it, 'CUSTOMER SUMMIT' is written in a smaller, grey font.

Freddie Mac **CONNECT!**

CUSTOMER SUMMIT

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The Freddie Mac logo, featuring a green house icon above the text 'Freddie Mac' in blue and green.

Freddie Mac

September 21 - 23

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