



Latino Participation in the Ownership Society

by Beatriz Ibarra, NCLR

Latinos want to join America's ownership society, but speeches and proclamations by politicians alone won't get us there. President Bush has painted a picture of a society in which all families are given incentives and rewards for saving, investing, and owning property and assets. Members of Congress have introduced legislation to name April Financial Literacy Month and have proposed a number of measures to provide financial literacy programs in schools and in the workplace. These proposals suggest that with some targeted coaching, Americans can improve their own lives by changing their spending habits and attitudes toward personal finance.

However, Latino families face a number of roadblocks to accumulating assets and building wealth. The "wealth gap" between Hispanic and White households is staggering: the median net worth of Hispanic households in 2002 was \$7,932, compared to \$88,651 for White non-Hispanic households. This is a problem that coaching alone will not solve.

Like other Americans, Latinos maintain low personal savings rates, in part due to low earnings and limited disposable income. Half of Latino workers earn less than \$25,000 annually, and the average Latino living in the United States remits approximately \$100 to \$300 a month to care for relatives in another country. For some there simply is not enough money.

But mainstream financial institutions have not effectively served Latinos, and many predatory establishments target Latinos, which also contributes to the problem. Many pay too much for check-cashing, remittances, and other financial services, while still others fall victim to predators in the financial marketplace and end up paying exorbitant interest rates and fees for services and products they need. Mainstream financial institutions lack products appropriate for the needs and situations unique to Latino, immigrant, and low-income families and leave few options for low-wage workers. There are similar barriers in the credit, pension, and retirement savings markets. Industry simply has not done enough.

Yet, there are signs of hope. Despite meager earnings, Latinos are saving money to buy homes. One recent study showed that 62% of Latino non-savers said they could set aside \$20 per week, compared to 54% of all similar U.S. workers. Through the National Council of La Raza Homeownership Network (NHN), 24,000 families receive one-on-one housing counseling and 3,500 Latinos become new homeowners every year. Structural barriers and financial illiteracy have not stopped Latinos from seeking to build a better life for themselves and their children.

That said, achieving the dream of ownership for all Americans will require more than lofty language and symbolism. Policy-makers must move beyond the talk and enact legislation that provides access to asset-building services and creates financial incentives for low-income Latino Americans to become investing Latino Americans. Ultimately, creating an ownership society must be more than a political slogan or a way to secure votes in areas of the country with rising Latino populations.

The private sector also needs to step forward and take a leadership role. Industry can help to wipe out the abuses of predatory lending. The Hispanic community represents a large and ever-growing "client" for financial services. But financial institutions need to rethink and modify the way they approach Latinos. As the National Council of La Raza's research demonstrates, in order to open the door to greater financial stability for the Latino community, the private sector needs to make connections by either providing direct financial counseling or by creating partnerships with community-based organizations that already do. The private sector must also improve outreach to Hispanic markets by supporting new initiatives and strategies that help minority families build assets. And Congress must enact policies that encourage and strengthen the relationship between the Hispanic community and financial institutions and eliminate practices that prey on the uninformed.

Increasing wealth and ownership in Hispanic communities is not a narrow special interest but essential to the nation's long-term prosperity. Changing demographics mean that ethnic minorities will constitute a growing portion of the nation's workers and investors. Latinos already carry more economic might than one might expect. Our future economic security thus depends on ensuring that America's prosperity is more widely shared. The rising importance of Latino households is more than political expediency: it is an economic reality.

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Resources:

"Financial Education in Latino Communities: An Analysis of Programs, Products, and Results/Effects" (NCLR)
<http://www.nclr.org/content/publications/detail/28618/>

"Financial Insecurity Amid Growing Wealth: Why Healthier Savings Is Essential to Latino Prosperity" (NCLR) <http://www.nclr.org/content/publications/detail/1394/>

"The Wealth of Hispanic Households: 1996 -2002" (Pew Hispanic Center)
<http://pewhispanic.org/files/reports/34.pdf>

Solutions:

"Increasing Hispanic Homeownership: Strategies for Programs and Public Policy" (NCLR)
<http://www.nclr.org/content/publications/detail/1392/>