

**Emerging Markets: Immigrant Home-Buying in the Twin
Cities**

**A Report and Reference Manual Prepared for the Minneapolis
Area Association of Realtors®**

By

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Contents

A National Perspective on Immigrant Home-buying and Homeownership.....	1
Overview.....	1
Solutions and Tools to Meet the Needs of Immigrant Homebuyers	6
Immigrant Homebuyers in Minnesota	9
The Minnesota Emerging Market Homeownership Initiative.....	12
The Twin Cities Immigrant Population.....	17
Cultural Elements of Immigrant Homebuyers in the Twin Cities.....	18
Working with Immigrant Homebuyers.....	20
National and State Website Resources.....	22

Exhibits

Exhibit 1	Immigrant Country of Origin	3
Exhibit 2	Legal Status of Immigrants	4
Exhibit 3	Immigration Growth by State	5
Exhibit 4	Minnesota Immigration by Country of Origin	10
Exhibit 5	2004 Estimates of Minnesota's Immigrant Population	10
Exhibit 6	Non-English Speakers Triple in 8 Years	11
Exhibit 7	Area of Origin of Minnesota Immigrants	17
Exhibit 8	2003 Estimated County Population, Percentage of Immigrants and Percentage where a Language other than English is Spoken in the Home	17

Appendices

Appendix A

Weech, Paul., (2004). Analyses of Housing Attitudes. Washington D.C.: Fannie Mae.

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Appendix B

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Appendix D

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Rapid growth in foreign-born households has added significantly to housing demand. Between 1998 and 2001, foreign-born households purchased about 8 percent of new homes and 11 percent of existing homes sold. The foreign-born also made up 12 percent of first-time homebuyers in 2001, boosting the demand for starter homes. With their relatively low homeownership rates, immigrants played an even more vital role in rental markets---accounting for fully 17 percent of all renters in 2000.

*The State of the Nation's Housing, 2004
Joint Center for Housing Studies of Harvard University*

But so far, American-bred real estate agents have been slow to pursue this market, even though foreign-born buyers are saving more, stretching their incomes, and pursuing the American dream even in the most expensive housing markets, such as Boston's, according to a Harvard University study. The problem: Different ethnic groups tend to expect different things from brokers, and many realtors find themselves unprepared for dealing with other cultures – whether it's an Asian immigrant insisting on looking at only new homes or a European who's looking for a house made of nothing but brick, just like the one he grew up in.

The Boston Globe, 2003

A National Perspective on Immigrant Home-buying and Homeownership

Overview

America's tradition of land and homeownership dates back to the earliest of European immigrants to the New World. The innate desire and drive of immigrants to own land in the New World, free of the limitations imposed in their country of origin, has changed little in the last three or four hundred years. Indeed, immigrants collectively, have come to the United States with the hope for a better life, political or religious freedom, and the hope to build wealth for themselves and their progeny through homeownership.

Paul Johnson in his book, *A History of the American People*, summarizes the historical foundation and context of American property ownership well. Writing of America in the 1640s, Johnson notes:

The actual apportioning of Land proceeded swiftly---something Americans Learned to do well very early in their history, and which was for 300 years one of their greatest strengths. A settler went to the secretary of the province, recorded his entitlement, and requested a grant of land. The secretary then presented a Warrant of Survey to the surveyor-general, who found and surveyed an appropriate tract. When he reported, the secretary issued a patent, which described the reasons for the grant, the boundaries and condition of the tenure. The owner then occupied the land and began farming. Compared to the difficulty of acquiring land in England, even for ready money, it was amazingly simple.

Times have changed. New immigrants, (foreign born) are facing substantial challenges to achieving homeownership. Property values, high in proportion to an immigrant's low net worth, low income, and lack of a strong credit history are major obstacles to an immigrant's quest for homeownership. Compounding this dilemma, immigrants face language barriers, skills in evaluating professional services and an overall lack of knowledge of the real estate process. National research conducted by the Federal National Mortgage Association, (Fannie Mae) and the Joint Center for Housing Studies at Harvard University, document both the continued desire of immigrants to buy homes and the challenges facing the real estate community to meet this growing demand. The Fannie Mae report, *Analyses of Housing Attitudes* (2004), and the Harvard University study, *New Americans, New Homeowners: The Role and Relevance of Foreign-Born First-Time Homebuyers in the U.S. Housing Market*, are attached in Appendix A. Both reports find that minorities and immigrants surveyed believe that buying a home is a good safe long term investment that provides a source of personal pride; however, homeownership is illusive for both groups as a result of information gaps, affordability issues, problems with credit, lack of confidence and lack of understanding of the home-buying process.

Any analysis or study of immigrant home buying and homeownership addresses, as a major component, the barriers and challenges immigrants face when pursuing the great American Dream. Throughout this report the reader will be exposed to data (both quantitative and qualitative) which details these challenges. The challenges of working with immigrants have many components and dimensions. Cultural and social issues, our housing and financial systems, legal, financial services and professional practices make up a few of the issues real estate brokers and agents may face with working with immigrant home buyers.

Real estate professionals need to understand the cultural challenges faced by immigrants. This knowledge can be a useful tool in restructuring both personal and professional perceptions and practices in marketing housing services to immigrants. Clearly, the immigrant market for the sale of new and existing homes is both substantial and under served by all sectors of the real estate community. Real estate and agents and brokers who have taken the time to investigate opportunities to serve immigrant clients have been

well rewarded. Similarly, lenders and other real estate service providers have generated business within the “*emerging market*” of immigrant clients.

Often, immigrants hold beliefs from their country of origin regarding homeownership. Sometimes, these beliefs inhibit the individual immigrant’s ability to understand U.S. business practices. For example, some immigrants distrust financial institutions and do not open checking or savings accounts. U.S. credit practices, lending and approval process are often not understood by immigrants---this is especially true for immigrants coming from a society where large down payments are made on homes. Some immigrants hold beliefs that earning or paying interest is wrong.

Some of the other major concerns that immigrants have about buying a home included:

- Problems with the English language.
- Financial institutions use conventional tools to measure creditworthiness. Often immigrants work for cash, do not obtain credit cards or pay rent but not have their name the lease---in these situations, current mortgage underwriting tools cannot measure creditworthiness.
- Concerns about making it through a loan interview.
- Their ability to obtain a mortgage through lack of a credit history or documented earnings.
- Their ability to understand and complete paperwork.
- Lack of confidence in their ability to make a successful purchase offer.
- Finding a real estate professional they can trust.

National research has consistently found that immigrants have a high desire to become homeowners. While there are many obstacles to immigrants becoming homeowners, nationally, immigrants rank the absence of information, discrimination and social barriers as their major barrier. This is surprising given the financial and credit constraints (income, down payment, closing costs, creditworthiness) faced by many immigrants. Additionally, in some surveys, immigrants expressed concerns beyond the common concerns of most home buyers. These fears included language barriers, understanding the use of credit, and lack of knowledge of the tax incentives afforded to homeowners.

Of the research and data cited in this report on immigrant home buying, perhaps one of the most important is a *1997 Census Brief, Immigration Bolsters U.S. Housing Market*. The Census Brief can be found in Appendix A and is the first ever analysis of immigrants and homeownership conducted by the U.S. Census Bureau. Analyses of the immigrant population and homeownership data has clearly and substantially supported the contention that immigrant home buying and homeownership holds important implications for several components of the U.S. housing industry. Overall, the data indicates that immigrants who have obtained U.S. citizenship, are as likely to achieve homeownership as native born Americans.

Similarly, another recent Fannie Mae study on immigrants and home buying was conducted by the Institute for the Study of International Migration at Georgetown

University. The 2001 study, *Reaching the Immigrant Market: Creating Homeownership Opportunities for New Americans*, provides a comprehensive perspective on how financial institutions and indeed all real estate professionals have an excellent opportunity to capitalize on an emerging market---immigrants. The full study can be found in Appendix A of this report. There are approximately 30 million immigrants in the United States today with about one million new immigrants arriving annually. Based upon the increases in immigrant population forecasts it appears reasonable to conclude that the immigrant population will increase at a similar rate well into the future.

The country of origin of immigrants in 2003, based upon the US Census Bureau's Current Population Survey indicates that over 53 % of the immigrants came from the Caribbean, Central and South America and that 25 % of the immigrants came from Asia. The remaining immigrants (21.7%) came from Europe and other regions of the world.

Exhibit 1

Immigrant Country of Origin

Central American	36.9 %
Asian	25.0%
European	13.7%
Caribbean	10.1%
Other	8.0%
South American	6.3%

Source U.S. Census Bureau, 2003.

Estimates of the growth in immigrant household formation predict that more than one quarter (27.4 %) of the 12 million households formed between 2000 and 2010 will be immigrant households. From a real estate perspective, it is critical that we recognize that household formation has a direct correlation to the purchase or construction of residential housing.

Generally, immigrants come to the United States in four ways. Most immigrants are admitted to the U.S. as lawful permanent residents and begin the process of becoming Naturalized Citizens. Prior to their being made citizens, this group is often referred to as "green card holders." The second group is comprised of refugees (refugees alien and refugees naturalized) who, after a year of U.S. residence, become lawful permanent residents. A third group of immigrants are temporary residents (non-immigrants) who come to the U.S. to work or study for a limited amount of time. The fourth classification of immigrants are undocumented illegal immigrants who have stayed beyond a lawful temporary period or who have entered the country illegally. In many cases illegal immigrants have come to the U.S. to join family members with legal status.

Exhibit 2

Legal Status of Immigrants

Naturalized Citizens	9.2 Million	30%
Legal Aliens	9.3 Million	30%
Undocumented Aliens	8.5 Million	28%
Refugees Alien	1.6 Million	5%
Legal Non-immigrants	.9 Million	3%
Refugees Naturalized	.7 Million	2%

Most of the nation's 30 million immigrants arrived after 1980 and tended to move to California, New York, Florida, Texas, New Jersey and Illinois. This trend is however, changing with immigrants increasingly disbursing throughout the nation. The following exhibit identifies the growth of immigrant population by state.

Exhibit 3
Immigration Growth by State
2003

State	Eligible to Naturalize (000s)	Naturalized (000s)	Percent Naturalized of Eligible	Soon-to-be Eligible (000s)
Total	7,911	11,146	58%	2,661
Major Destinations	5,914	7,663	56%	1,758
California	2,695	3,018	53%	717
New York	1,133	1,673	60%	282
Texas	766	727	49%	263

Florida	607	1,181	66%	219
New Jersey	373	592	61%	134
Illinois	340	473	58%	142

New Growth States	981	1,474	60%	419
Arizona	183	223	55%	36
Washington	114	207	65%	82
North Carolina	69	71	50%	36
Georgia	69	139	67%	31
Nevada	69	123	64%	18
Oregon	63	79	56%	35
Colorado	61	87	59%	51
Minnesota	47	88	65%	7
Utah	39	40	51%	12
Oklahoma	31	33	52%	8
Arkansas	30	20	40%	3
Tennessee	28	58	67%	17
Iowa	28	32	53%	19
South Carolina	27	48	64%	8
Idaho	25	17	41%	5
Kansas	24	46	65%	15
Indiana	19	59	76%	5
Nebraska	18	25	58%	5
Kentucky	13	24	65%	13
Alabama	12	25	67%	7
Mississippi	6	10	60%	5
Delaware	4	18	80%	2

All Other States	1,016	2,009	66%	484
Massachusetts	179	278	61%	89
Pennsylvania	115	225	66%	65
Michigan	115	269	70%	53
Maryland	98	220	69%	51
Virginia	84	203	71%	65
Ohio	83	140	63%	44
Connecticut	63	173	73%	18
Wisconsin	45	77	63%	20
New Mexico	40	39	49%	10
Hawaii	39	99	72%	14

Rhode Island	35	48	57%	9
Missouri	26	63	71%	8
Louisiana	23	48	68%	18
New Hampshire	17	30	64%	2
District of Columbia	14	21	60%	5
Maine	14	17	55%	2
Alaska	9	25	73%	4
Vermont	5	10	68%	1
West Virginia	3	9	73%	<1
Montana	3	5	68%	1
South Dakota	2	5	69%	2
North Dakota	2	2	48%	3
Wyoming	1	5	79%	1

Source: Urban Institute tabulations. Eligibles include all immigrants over 18 who have been in the country long enough to be eligible to naturalize, not just the post-1975 arrivals included in the "currently eligible." Naturalized population includes all naturalized immigrants over 18, not just the "recently naturalized."

Solutions and Tools to Meet the Needs of Immigrant Homebuyers

The need for homeownership education that is culturally appropriate for each respective immigrant group is necessary. Only through such an educational design, can immigrants adequately prepare for the home buying process and the responsibilities that accompany homeownership. Mortgage lenders often require immigrant homebuyers to attend courses and counseling sessions on homeownership. Organizations like the Neighborhood Reinvestment Corporation, the American Homeowner Education and Counseling Institute and the U.S. Department of Housing and Urban Development have developed education models and course materials for immigrant homeownership education.

This report contains reference sections with primary data source information on immigrant groups. Additionally, the report has copies of reports and articles on immigrant homebuyers. These articles provide substantial insight into the unique cultural perspectives of immigrant homebuyers. The cultural views of immigrants play a significant role in the home buying process. Indeed, cultural issues can be as significant to the decision making as economic considerations. Accordingly, real estate professionals who wish to be successful in working with immigrant homebuyers, must develop knowledge of the respective immigrant's culture, their cultural presuppositions about homeownership and communication practices.

A recent study, *Buying Among Ethnic Groups* was conducted by the Real Estate Center at Texas A&M University. This study is without a doubt, the most comprehensive research undertaken regarding the perceptions of homeownership by ethnic groups on a state level. A draft copy of the study can be found in Appendix A. While the Texas A&M study is confined to Texas, much can be learned from the findings. The Texas study included

Hispanics and Asians as primary ethnic groups. Combined, Hispanics and Asians comprise slightly less than 80 percent of all immigrants in the United States.

The following summarizes the key findings reported in the Texas A&M study:

- Hispanics have the least experience with homeownership or real estate agents.
- Hispanics are the most financially conservative and view the family as the primary source of information and advice.
- Hispanics are the most likely to want and need an agent who speaks Spanish and many Hispanics do not feel comfortable conducting business in English.
- Asians are receptive to real estate agents and rely on them for advice.
- Asians own the biggest and most expensive homes and are more likely to purchase newly constructed homes.
- For all groups, personal contacts and personal exploration (driving through neighborhoods) are the most common ways of learning about potential neighborhoods.
- Among those who have used an agent, the majority found the agent through a personal recommendation or contact.
- Most individuals surveyed think that it is a good idea to use agents in real estate transactions, that they provide valuable services, that they keep clients informed and that they are trustworthy.
- Hispanics are more likely than other racial and ethnic groups to believe agents do not take the time to understand one's needs.
- Agents should be prepared to negotiate their fees. Four in ten who used an agent have negotiated the fee.
- More than half of the homeowners or likely buyers would like frequent – several times a week – communication with their agent, whether they are buying or selling a home.
- Agents should set clear expectations with potential clients about what specific services will be provided.
- Agents could provide an important educational role in how the overall process works. More specifically, they could provide a service by informing potential clients how the mortgage process works, how to estimate how much of a mortgage one can afford and what is really involved in applying for a loan. These services are of particular value to Hispanics and non-likely home buyers who will likely be potential homebuyers at some point in the future.

Immigrant Homebuyers in Minnesota

Demographic Trends

As noted in the first section of this report, Minnesota is becoming an immigration new growth state with an increasing share of immigrants. Minnesota has been ranked by the Urban Institute as 8th in new immigrant growth states and 14th in immigrant growth for all states. Immigrants have been attracted to Minnesota by the state's low unemployment rates. The immigrant influx into Minnesota has resulted in a 130% increase in the immigrant population between 1990 and 2000 bringing the state's immigrant population to over 260,000 in 2000. This influx was massive enough to rank the state 12th nationally in the rate of immigrant population growth. While the debates on the impacts of immigration are complex, it is hard not to recognize that, as noted by the Federal Reserve Bank of Minneapolis (2004)

“Immigrants revitalize neighborhoods and cities, planting the seeds for future economic growth with their strong backs, new ideas and entrepreneurial energy.”

The major immigrant trends impacting Minnesota in recent times are well documented by the Minnesota State Demographic Center. Selected reports on Minnesota immigration patterns and immigration data can be found in Appendix B. This information is also available on the web at www.demography.state.mn.us.

The majority of Minnesota's immigrants are from Asia and Latin America. Combined, these two groups make up about 65 percent of Minnesota immigrants. Additionally, recent Minnesota immigration trends have been impacted by the influx of refugees from Southeast Asia, the Soviet Union, Bosnia-Herzegovina, Eastern Europe and Africa. Augmenting these immigration trends, immigrants from India, China and Pakistan came to Minnesota to work in high-tech industries. Similarly, as noted by the Minnesota State Demographic Center (2004):

In the 1990s, Minnesota created jobs at a rate twice that of its population growth, and workers were especially scarce in areas of the state with aging and declining populations, especially in southwestern and western counties. Many workers came looking for jobs in the meat, poultry and food processing industries in Greater Minnesota. Most of these workers were Latinos; some from other states and some from Mexico and other Latin American countries. However, immigrants from other parts of the world also sought employment in these industries. Newcomers were welcomed by employers who needed to fill positions in their processing plants and often these jobs did not require fluency in English or high skill levels. Latino workers also found employment in landscaping, roofing and in dairy.

Exhibit 4 breaks down Minnesota’s immigrant population in more specific detail. This information is based on the most recent U.S. Census data.

Exhibit 4
Minnesota Immigrants by Country of Origin in 2000

<u>African</u>		<u>Latino</u>	
Ethiopian	5,413	Cuban	2,527
Liberian	3,148	Guatemalan	1,684
Nigerian	3,073	Mexican	95,613
Somali	11,164	Salvadoran	2,005
 <u>Asian</u>		 <u>European</u>	
Arab	13,923	Serbian	4,296
Afghan	467	Bosnian	2,193
Asian Indian	19,963		
Cambodian	6,533		
Chinese	18,622		
Filipino	9,969		
Hmong	45,443		
Korean	15,255		
Laotian	11,516		
Vietnamese	20,570		

Source: State Demographic Center

2004 estimates of Minnesota’s immigrant population indicate substantial increases.

Exhibit 5
2004 Estimates of Minnesota’s Immigrant Population

Latinos	175,000
Hmong	60,000
Somalis	25,000
Vietnamese	25,000
Laotians	13,000
Russians	12,500
Cambodians	7,500
Ethiopians	<u>7,500</u>
 Total	 325,000

Source: Minnesota State Demographic Center, 2004

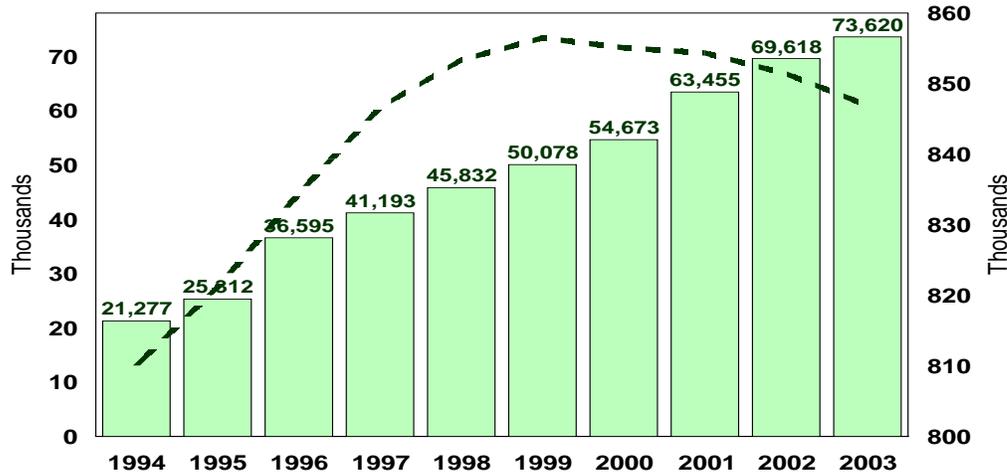
The influx of a diverse immigrant population has created changes in Minnesota. These changes include the redefinition of shopping patterns with the revitalization of University Avenue in St. Paul and Lake Street in Minneapolis, changes in schools, businesses and public services. While it is not the intention of this report to address Minnesota's broader social and economic issues created by increases in immigration, the changes brought about by immigrants have a direct impact on home buying and homeownership. Minnesota's share of immigrants who are refugees (a group that reflects distinct and unique services) is higher than the national average. For example, Minnesota's share of immigrants who are refugees ranged from 24.3 percent in 1998 to 46.2 percent in 1987 while nationally refugees as a percentage of population ranged from 6.3 percent in 1990 to 15.9 percent in 1995.

Exhibit 6 shows the trend of non-English speaking immigrants in Minnesota. This information was compiled by the Minnesota Department of Children, Families and Learning (DCFL).

Exhibit 6

Non-English Speakers Triple in 8 Years

Source: DCFL



An excellent data set and resource on demographic, social and educational issues facing immigrant households can be found in a series of reports published by the Minnesota Demographic Center. The Minnesota Demographic Center reports are : *Immigrants in Minnesota (2000)*; *Minnesota Migrants: A 2000 Public Use Microdata Sample Portrait (2000)*; *Migration Profiles for Minnesota Public Use Microdata Areas*; *Immigrants Admitted by Country of Birth and Intended State of Residence (2002)*; *Estimates of Selected Immigrant Populations in Minnesota (2004)* and *Census (2000)*. These reports can be found in Appendix B.

The Minnesota Emerging Markets Homeownership Initiative

The Minnesota Emerging Markets Homeownership Initiative (EMHI) is a private/public partnership of about 50 organizations. EMHI has been initiated by three conveners--- Fannie Mae, The Federal Reserve Bank of Minneapolis and the Minnesota Housing Finance Agency. Additionally, the EMHI has a committee comprised of members from organizations like the Minnesota Association of Realtors, the Mortgage Association of Minnesota and the Minnesota Bankers Association. These efforts are supported by a wider advisory group comprised of organizations such as Chicanos Latinos Unidos En Servicios, Center for Asia and Pacific Islanders, Hmong American Partnership, Minneapolis Area Association of Realtors, and the Multicultural Network of Real Estate Professionals. The web site for EMHI is can be found by going to www.mhfa.state.mn.us. This is the web site for the Minnesota Housing Finance Agency (MHFA). On the MHFA home page under the Homeownership Section, click on the link to Emerging Markets---this will connect to the EMHI site. Selected EMHI information can also be found in Appendix C.

The EMHI began in the summer of 2004 with the mission to develop a business plan to “increase homeownership in communities of color throughout the state significantly and dramatically by 2010.” While the goals and context of the EMHI are comprehensive, the homeownership attainment issues of Minnesota’s immigrant population are clearly examined. Barriers faced by people of color, are also faced by immigrants. The mission of EMHI is based on the realization of needs reflected in the following statistics:

In 2002 Minnesota enjoyed the highest homeownership rate in the country at 77.3 %. Yet, data from the most recent American Community Survey (2002) shows that the homeownership rate within communities of color at 41% lagged far behind that of the White non-Hispanic population at 78%. In Minnesota , Asian, Native Hawaiian and other Pacific Islanders experienced the highest homeownership rate among emerging market groups in 2000 at 52% and American Indians at 49%. They homeownership rate for other emerging market groups was below the national average of 46%, with Hispanics at 43% and African Americans at 32%.

Addressing the disparity in homeownership rates is critical as Minnesota becomes increasingly diverse. Between 1990 and 2000, the White non-Hispanic population grew by 6.5 % while the population of communities of color grew by 112%. In 2000, nearly 12% of Minnesotans identified themselves as persons of color, or of Hispanic/Latino origin in comparison to slightly over 6% in 1990.

EMHI, 2004

The EMHI effort to expand homeownership in Minnesota, dovetails with several other programs and resources. Including:

- The federal program, America's Homeownership Challenge. This initiative includes pledges of 1.1 Trillion in mortgage funding and downpayment assistance for 40,000 families under the American Dream Downpayment Act.
- Fannie Mae's Expanding the American Dream Commitment Program to augment the delivery of mortgage products and to build stronger community partnerships.
- Freddie Mac's Credit Smart and Don't Borrow Trouble Programs to address mortgage credit education and predatory lending issues.
- The 50/30 Project, A report prepared by the Urban Coalition and the Humphrey Institute at the University of Minnesota that identified barriers to homeownership in emerging markets.
- Homeowner training and counseling programs through the Minnesota Home Ownership Center.
- The Cross Cultural Home Ownership Alliance and the Multicultural Network of Real Estate Professionals. Groups comprised of real estate professionals working to increase homeownership in minority communities.
- Community Lending Initiatives. Financial institutions that have designed mortgage products to assist and increase homeownership in emerging markets. The most important mortgage activities in this area are the actions on the secondary market by the Minnesota Housing Finance Agency and Fannie Mae to purchase mortgages targeted to increase homeownership in emerging and underserved markets.

The work of the EMHI has resulted in a series of 10 meetings and over 60 individual interviews in which data was collected on the needs of emerging market housing consumers. It is important to note that the value of the focus group and interviews is that they provide information and insights that provide unique and valuable market information about minority and immigrant real estate services and processes. The ability of EMHI to conduct interviews and focus groups lies in the cooperative relationships (through the advisory groups) to solicit non-profit organizational and housing consumer participation. The advisory groups were able to recruit ideal audiences that provided information on real estate professional and related services. The focus group meetings and interviews addressed the following questions:

- What are the barriers---both perceived and real---to homeownership for people of color?
- What major challenges face people of color as they look for a house?
- Where do emerging populations go to find information about the home-buying process?
- What opportunities and techniques do you think will work well to better serve emerging market populations in Minnesota?

The emerging market housing consumer focus groups have not yet been released. The all of the information derived from the 66 interviews can be found in Appendix C.

When the Emerging Markets: Immigrant Home-Buying in the Twin Cities a Report and Reference Manual Prepared for the Minneapolis Area Association of Realtors® study was initially proposed, the use of immigrant focus groups, was investigated as a research option to collect information about immigrant experiences with the home buying process, homeownership and real estate professionals. Our initial work to convene focus groups, lead to the realization that immigrant homebuyers were difficult to identify and generally reluctant to provide information on their experience with the homebuying process. Indeed, data privacy issues, scheduling, the open discussion of family financial resources and similar constraints, proved to be a major interviewee recruiting challenge.

Our initial focus group research objectives included investigating the following issues faced by immigrants in the home-buying and homeownership process: desirability of homeownership, financial ability for homeownership, knowledge of real estate lending and credit standards, knowledge of the real estate process, cultural differences in home buying, the process used to select an agent, experience with real estate agents, the importance of real estate services, desired attributes of real estate agents, what are the most important education needs on owning a home.

To investigate these and other questions surrounding immigrant homebuying, we have explored several methods of inquiry. The first data source is an overview of the interview information obtained from the Emerging Markets Homeownership Initiative. This is a significant resource on this topic.

Similar to existing national research on barriers and challenges to homeownership faced by emerging market consumers, the EMHI interviews found that the obstacles to homeownership were generally categorized in the following frequencies.

1. Cultural.
2. Information Gaps.
3. Income.
4. Trust Issues with Real Estate Professionals.
5. Credit Issues.
6. Treatment by Real Estate Professionals.
7. Understanding the Homebuying System.
8. Affordability.
9. Language.
10. Mortgage Underwriting Standards.
11. Education.

All of these issues are important to real estate salespersons. The real estate salesperson plays a substantial role in explaining the process and the multiple components involved with homebuying. Similarly, real estate salespersons must address issues of client trust

and confidence. The EMHI interviews identified very frank comments reflecting distrust of real estate salespersons and lenders. Real estate salespersons must be aware of the initial attitudes of emerging market homebuyers perception of stereotyping, discrimination, the real estate professionals' low level of interest in serving emerging market housing consumers due to their low price range and possible credit problems.

A second EMHI interview question addressed the issue of where homebuying information was found by consumers. The interviews identified the following as the most frequent sources of homebuying information:

1. Family and Friends.
2. Faith Based Institutions (tied with #3).
3. Real Estate Agents.
4. Trusted Advisors.
5. Community Gathering Spots.
6. Other.

It is noteworthy that the "trusted advisor" as a source of information is according to some responses the individual first gaining entry into the community. Some participants stated that the path to homebuying information is dependent upon ethnicity. For example, it was reported that Asian and Latinos look to agents, Somali and Asians identified advisors through word or mouth and Latinos use references from family and co-workers to identify an agent.

The last EMHI interview question addressed the opportunities and techniques best suited to serve emerging market homebuyers. In order of frequency, the focus group reported the following categories:

1. Homebuyer Education.
2. Information.
3. Partnerships.
4. Marketing and Advertising.
5. Loan Products and Programs.
6. Industry Professionals
7. Downpayment and Income
8. Supply.
9. Other.

One of the major responsibilities of real estate salespersons is to educate clients on the numerous components of homebuying. The results of the EMHI interviews bear a strong resemblance to the needs and expectations that all housing consumers have of real estate professionals. Focus group participants indicated the need for salespersons to be advocates during the loan application and that more real estate salespersons represent the demographic components of emerging market clients. Additionally, focus group participants expressed concerns that real estate professionals display greater insights and knowledge of language and cultural knowledge.

The EMHI interview information is insightful. This information will be used to design a business plan to increase homeownership among people of color and immigrants. The focus group information provides clear direction for real estate salespersons to advance their services to emerging market housing consumers.

The Twin Cities Immigrant Population

Minnesota is home to immigrants from 160 countries. According to the Minnesota State Demography Center, 91 percent of the immigrants who came to Minnesota during the period between 1990 and 2000, settled in Minneapolis-St. Paul, Rochester and St. Cloud Metropolitan Areas. The 2000 Census identified 7.1 percent of the population of Minneapolis and St. Paul metropolitan area as immigrants and found that 55 percent of the immigrants entered the U.S. between 1990 and 2000. The area of origin is broken down in Exhibit 7.

Exhibit 7 1990-2000 Area of Origin of Minnesota Immigrants

Asian	42.4 %
Latin American	22.5 %
European	16.0 %
African	14.4 %
Northern American	4.1 %
Oceania	.5 %

Source: U.S. Census, 2000.

The following counties comprise the Minneapolis-St. Paul Twin Cities Metropolitan Area: Hennepin, Ramsey, Anoka, Dakota, Scott, Carver and Washington. The U.S. Census estimated the 2003 immigrant population for the Twin Cities Metropolitan Area, by county. Additionally, the U.S. Census estimated the percentage of households, by county, where a language other than English is spoken in the home. These estimates, along with the estimated county population, are presented in Exhibit 8.

Exhibit 8 2003 Estimated County Population, Percentage of Immigrants and Percentage where a Language other than English is Spoken in the Home

County	Population	% Immigrants	English Not Spoken in the Home
Scott	108,578	4.0 %	6.9 %
Carver	78,960	3.4 %	6.2 %
Dakota	373,311	5.1 %	7.6 %
Washington	213,564	3.4 %	5.7 %
Ramsey	506,355	10.6 %	15.8 %
Anoka	314,074	3.6 %	5.7 %
Hennepin	1,121,035	9.9 %	12.8 %

Source: U.S. Census, 2003.

To assist the reader, detailed U.S. Census data by on migration profiles can be found in Appendix D. The publication, *Migration Profiles for Minnesota Public Use Microdata Areas*, was prepared by the Minnesota State Demographic Center and is based on a 5% sampling of data contained on the Census long form. While this information may be helpful to better understand real estate buyers, the sampling method upon which it is based, lacks detailed geographic information.

Cultural Elements of Immigrant Homebuyers in the Twin Cities

Information on the cultural elements of Twin Cities immigrants can be found in Appendix E. The following publications provide insightful information on immigrants in the Twin Cities.

Speaking for Themselves: A Survey of Hispanic, Hmong, Russian and Somali immigrants in Minneapolis-Saint Paul by the Wilder Research Center, 2000. The full text of this report can also be found on the web at www.wilder.org/research/reports.

This report is based on interviews of 1,119 immigrants. The interviews included 276 Hmong, 218 Somalis, 198 Russians and 200 Hispanics. Additionally, 227 immigrants from other countries were also interviewed. The interview results include why Minnesota was selected, knowledge of English, how they are treated by Minnesotans, number of children in schools, religious identification and employment. While this research report provides general demographic information, real estate and housing issues are not explored.

Immigrants in the Twin Cities: A Snapshot (2nd Ed.) by the Greater Twin Cities United Way Research and Planning Department, 2001. The full text of this report can also be found on the web at www.unitedwaytwincities.org/news/downloadimmigrants_report_2nd_ed.pdf. This report provides an overview of the Hispanic, Hmong, Somalis, Russian and Tibetan populations in the Twin Cities and includes “snapshots” of data on employment, education, income and English language skills. For Hispanic and Hmong immigrants, the report cites information on contrasting cultural beliefs, values and practices between these groups and white mainstream culture. Additionally the report cites cultural courtesies and customs. The information on the contrasting beliefs, values and practices contained in this report was developed by Maria Zuniga of the San Diego State University School of Social Work. For Latino/White Mainstream Culture Comparisons the following is an example of cultural differences. It is important for the author to note that the following comparisons of the cultural orientation of Latinos and Hmong to white mainstream culture vary by individual cases and situations. Clearly, it is important for real estate professionals to get to know individuals with whom they are working and in this way a greater understanding of the individual or family cultural identity can be better understood.

Latino Culture

Collective orientation
 Interdependence
 Saving face
 Relaxed with time
 Extended family more pronounced

White Mainstream Culture

Individual orientation
 Independence
 Being direct
 Time sensitive
 Nuclear family more pronounced

Similarly, Zuniga’s identification of Latino cultural courtesies and customs include the following inappropriate actions for people working with Latinos:

- Speaking to the wife first when the husband is present.
- Decline a beverage or food offered.
- Start a discussion of a work task before an informal discussion or conversation.
- Use harsh or authoritarian tone of voice.
- Show impatience or act hurried.

The Greater Twin Cities United Way report also compares and contrasts the beliefs, values and practices of Asians compared to white mainstream cultural orientations. The following is an example of, as the report states, “distinct historical contrasts between traditional Asian and white mainstream cultural orientations.” This example, as cited in the report, is based on the work of Sam Chan of the California School of Professional Psychology and was written in 1998.

Asian Culture

Stoicism, patience
 Conformity
 Cooperation, non-confrontation and reconciliation
 Family solidarity, responsibility and harmony

White Mainstream Culture

Optimism. Eager to act
 Challenge authority

 Competition, aggressiveness
 Individual pursuit of happiness, fulfillment and self-expression.

Similarly, Chan’s identification of Asian cultural courtesies and customs include the following inappropriate actions for people working with Asians:

- Use Mr., Ms., Mrs., or Miss, or other appropriate titles with the family surname for Chinese and Koreans and with the individual’s first (given) name for Cambodians, Laotians and Vietnamese.
- Women typically do not shake hands with men and younger people do not shake hands with an elder or significantly older person.
- Waving arms to elicit attention and pointing or beckoning with an index finger are considered to be signs of contempt.
- In an initial encounter or first meeting, refrain from asking personal questions of the other party too quickly, but be prepared for people to ask personal questions of you.

Working with Immigrant Homebuyers

There is a fair amount of research on homeownership and immigrants. This report has addressed the major national, state and local research and housing resources for immigrants. The difficulty of taking this information and dovetailing it with the responsibilities of a real estate salesperson in finding and working with immigrant clients is substantial.

A recent (2002) publication by the Research Group of the National Association of Realtors® entitled: *Housing Opportunities in the Foreign-Born Market*, provides a discussion of immigrant population trends (much like the discussion at the beginning of this report) and concludes with the major determinants of immigrant homebuying. The report identifies the following as major characteristics that determine the propensity of immigrant homeownership:

- Age. If an immigrant household is younger, then the likelihood that they will be homeowners is less. The major factor contributing to this is that younger people have lower incomes and accordingly, rent.
- Citizenship. Not surprising, the report found that immigrants who become citizens are more likely to also become homeowners.
- Length of time in the U.S. The length of time an immigrant is in the U.S. will determine the likelihood of homeownership. Research indicates that immigrants who have lived in the U.S. for 20 or more years are as likely to own homes as native born Americans.
- Education and income. There is a direct correlation with education and income. Accordingly, immigrants who have higher education levels have greater levels of homeownership.
- Family size and composition. Immigrant households are often made up of extended families and in some cases multiple families. The major indicators of when immigrants may purchase a home is, according to the National Association of Realtors® study, when the number of people in the household is smaller or when marriage occurs.
- Region of origin. Immigrants to the U.S. represent several cultural and demographic characteristics. These characteristics contribute to whether and when the immigrant will enter into homeownership. For example, factors like income, age, education attainment and smaller household size elevate the homeownership levels.
- Financing. It is predicted that the increase in private/public partnerships through innovative and creative financing will advance immigrant homeownership.

We will continue to see expanded research and writing on immigrant homebuying. One book, *Multicultural Impact: The Changing Face of Homeownership* by Karen Kroll addresses the general demographic trends of immigrants in the U.S. and focuses upon developing an immigrant “target market” for real estate salespersons. Kroll emphasizes that real estate salespersons cannot make assumptions about potential clients and in order to be effective, agents need to explore education opportunities like the Certified

International Property Specialist (CIPS) Designation or the National Association of Hispanic Real Estate Professionals (NAHREP) certification program.

Another author, Michael Lee, has written two books on multicultural homebuyers: *Selling to Multicultural Home Buyers: the Official Guide for New Home Salespeople* (2000) and *Opening Doors: Selling to Multicultural Real Estate Customers* (2004). Lee, an experienced real estate broker, provides detailed general information in an anecdotal format on several aspects of the real estate process and immigrants. For example, topics in Lee's book *Opening Doors: Selling to Multicultural Real Estate Customers*, include:

- Becoming aware of cultural differences.
- Opportunities for this market.
- How people from other cultures select an agent.
- Building rapport.
- Showing property.
- How beliefs affect home purchase decisions.
- Negotiating.
- Writing the offer.
- Working with multicultural sellers.
- Closing the transaction.

Similarly, Lee's book, *Selling to Multicultural Home Buyers: the Official Guide for New Home Salespeople*, provides a comprehensive practical overview of home sales to multicultural buyers. A good example includes Lee's chapter on building rapport with people from other cultures. Lee addresses the meeting and greeting of multicultural clients—the message is don't assume the proper form of greeting---wait for the client to act. As Lee writes:

Multicultural Business Rule #1 is: Never assume! Many new home sales professionals have been embarrassed when they wrongly assumed that a customer is more comfortable with a traditional greeting. For instance, assuming a Chinese customer will want to bow, they start right out in this manner. What happens is at the moment they bow, the customer wanting to adhere to our customs, extends a hand. The embarrassed salesperson sees this out of the corner of his eye and quickly straightens up to offer a hand. The customer, seeing the other person begin his bow, quickly pulls back and starts to bow at the moment the representative proffers his hand. This dance could go on for quite some time, and the longer it continues the more tainted the relationship becomes.

Lee's books and others like it are a good starting points for real estate agents wishing to begin a study of other cultures. As part of this report is a copy of Lee's book, *Selling to Multicultural Home Buyers: the Official Guide for New Home Salespeople* is attached.

Other excellent sources on specific cultures include:

- The Gale Encyclopedia of Multicultural America. Three volumes, 1974 pages and available at most public libraries.
- American Immigrant Cultures: Builders of a Nation by David Levinson and Melvin Ember, two volumes, 1100 pages and also widely available.

Each of the two reference books contain exceptional bibliographies on specific cultures. It is very important to point out that as we learn about other cultures we must continually recognize that:

Information on the cultural characteristics of any subpopulation must always be recognized as generalizations. No statement regarding a racial, ethnic or cultural group will be universally applicable.

National Web Site Resources

Following is a list of websites with valuable research on immigrants and homebuying.

Fannie Mae: www.faniemae.com

Fannie Mae Foundation: www.fanniemaefoundation.org

Real Estate Center, Texas A & M University: www.recenter.tamu.edu

Harvard Joint Center for Housing Studies: www.jchs.harvard.edu

Freddie Mac: www.freddiemac.com

Congressional Hispanic Caucus Institute: <http://www.chci.org>

Immigration and Naturalization Service: www.isn.us.doj.gov

Asian Real Estate Association of America: <http://www.areaa.org>

National Council of La Raza: <http://nclr.org>

American Housing Survey: <http://www.census.gov/hhes/www/ahs.html>

Research Institute for Housing America: <http://www.housingamerica.org>

Asian Americans for Equality: www.aafe.org

National Urban League: www.nul.com

National Association of Hispanic Real Estate Professionals:
<http://www.nahrep.org/Index.htm>

National Association for the Advancement of Colored People: www.naacp.org

Congressional Black Caucus Foundation: <http://www.cbconline.org>

Executive Planet (International Business Culture): www.executiveplanet.com

Minnesota Web Site Resources

Greater Minneapolis Area Association of Realtors: <http://www.mplsrealtor.com>

Minnesota Association of Realtors: www.mnrealtor.com

State Demographer: <http://www.demography.state.mn.us>

Minnesota Housing Finance Agency: <http://www.mhfa.state.mn.us>

Housing Minnesota: <http://www.housingminnesota.org>

Chicano Latino Affairs Council: <http://www.clac.state.mn.us/homeeng.htm>

Metropolitan Council Housing: <http://www.metrocouncil.org/housing/housing/htm>

Department of Housing and Urban Development (HUD in MN)::
<http://www.hud.gov/local/index.cfm?state=mn>

City of St. Paul Housing: <http://www.ci.stpaul.mn.us/housing/information>

City of Minneapolis Community Planning and Economic Development:
<http://www.ci.minneapolis.mn.us/cped>

Homeownership Center: [Http://www.hoc.mn.org](http://www.hoc.mn.org)

African Development Center: <http://www.adcminnesota.org>

Council on Asian Pacific Minnesotans: <http://www.state.mn.us/ebranch/capm/>

Hispanic Advocacy and Community Empowerment Through Research (HACER):
www.hacer.mn.org

Hmong American Partnership: www.hmong.org/displacement

Somali Mai Community of Minnesota: www.arlaadi.com