



Consumer Federation of America

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NEW ANALYSIS REVEALS WEALTH GAP BETWEEN HISPANIC AND OTHER AMERICANS

*Latino Organizations Join CFA and Freddie Mac in Launching
Hispanic America Saves*

Washington, DC –A new analysis of data from the Federal Reserve Board reveals a substantial wealth gap between American Latinos and other American households, according to the Consumer Federation of America (CFA) and Freddie Mac. At a press conference this morning, leaders of these two organizations and leaders of Latino organizations discussed the reasons for this wealth gap and measures they are taking to close it.

These measures include a new America Saves initiative to encourage personal savings by American Latinos saving as a vehicle to build wealth. Hispanic America Saves enlists a bilingual wealth-building brochure and website in order to enroll Latinos as American Savers. America Saves is a national campaign, including programs in more than 50 communities, that seeks to encourage and assist non-savers to save and build personal wealth.

Substantial Wealth Gap Immediately Reflects Spending and Saving Patterns

Net household wealth is the economic term for all individual or family economic assets, including home equity, minus consumer debts. The typical (median) Hispanic American household held net wealth of \$11,450, compared to net wealth of \$86,100 held by typical (median) American households, according to the latest Federal Reserve Board Survey of Consumer Finances data. These data, collected in 2001, were released earlier this year. Hispanic American household wealth did increase by 66% between 1989 (\$6,883) and 2001.

CFA's and Freddie Mac's analysis of the Fed data also reveals asset building, saving and spending patterns that suggest "proximate reasons" for the wealth gap. According to these data:

- The financial planning horizon of Hispanics is shorter than that of other Americans. For 28% of Latinos, but 18% of all Americans, this planning horizon is the "next few months." For 33% of Hispanics, but 41% of all Americans, it is "at least 5 years."
- Hispanic Americans are more likely to spend all of their income than are other Americans. Among Hispanics, 19% were likely to spend more than their income

and 44% less than their income. For all Americans, 14% were likely to spend more than their income and 59% less than their income.

- Hispanic Americans are less likely to save. More Hispanic Americans reported that they do not save than that they "save regularly" (34% versus 33%). By comparison, only 22% of all Americans said that they did not save while 41% indicated that they saved regularly.

Underlying Factors Help Account for Differences in Spending and Saving

A number of underlying reasons help account for the wealth gap reflected in differences in spending and saving between Hispanic American and other American households.

First, Hispanic Americans are younger than other Americans, so have had less time to save and accumulate personal wealth. According to the 2000 Census, the median age for Hispanic Americans was 26 years while the median age of all Americans was 35 years.

Second, even within the same age groups, Hispanic Americans are much less likely than other Americans to have spent as much time in the U.S. where they could learn about and take advantage of wealth-building opportunities. According to the 2000 Census, 44% of Hispanic Americans were foreign-born whereas only 11% of the entire population was foreign-born.

Third, the limited English proficiency of some Hispanic Americans has narrowed both their employment and savings potential. For example, non-English speaking Americans probably have been disadvantaged in pursuing home ownership.

Fourth, partly because Hispanic Americans are younger and have spent less time in the U.S. than have other Americans, their incomes are lower. According to the 2001 Fed data, one-half (50%) of all Hispanic Americans, but only about one-third (32%) of all Americans, had household incomes of less than \$25,000.

Fifth, Hispanic Americans are far more likely than other Americans to send money outside the U.S. to support family members. Recent data suggest that Hispanic Americans are remitting more than \$10 billion a year to those outside the U.S.

Sixth, partly for all these reasons, fewer Hispanics have had the opportunity to build wealth through homeownership. The latest Census data show that, in 2002, only 48% of Hispanic American households, but 68% of all households, owned a home. For low to middle income families, for decades homeownership has represented the single most successful wealth-building strategy.

CFA and Freddie Mac Organize Hispanic America Saves

The America Saves campaign (AmericaSaves.org), which was first launched in Cleveland in 2001 (Cleveland Saves), has expanded to more than 50 communities and enrolled more than 13,000 Savers. Savers must develop a savings goal and plan to achieve this goal that includes monthly dollar deposits in specified savings accounts. Nationally, Savers receive information about savings strategies and savings accounts, a free subscription to the quarterly American Saver newsletter, and free access to advice from volunteer certified financial planners

contributed by the Financial Planning Association. Locally, Savers receive all these services plus others such as wealth coaching and access to savers clubs.

Until now, America Saves has enrolled some Latinos, and has supported outreach to this population in several cities, particularly in El Paso. The El Paso Saves initiative includes new financial services offered in the Colonias (Texas border communities) by credit unions. El Paso Saves coordinator, Anibal Olague, Border Field Officer, Texas Department of Housing and Community Affairs, stated: "Our community has had a tradition of saving, although access to the conventional U.S. financial institutions has been an impediment. Through America Saves, we have built partnerships with credit unions and community organizations to facilitate establishing savings programs, and educate on the importance of formalizing household savings goals toward building wealth."

But from today, America Saves will make available a bilingual America Saves "build wealth not debt" brochure and website that will be promoted and used by groups represented at the press conference. "Through the generosity of Freddie Mac, we have been able to develop a promising outreach strategy to Hispanic Americans that we intend to pursue vigorously," said Stephen Brobeck, Executive Director of CFA, which initiated and manages the America Saves campaign.

Freddie Mac is supporting the Hispanic America Saves outreach as part of its mission to expand affordable home ownership opportunities for America's families. "As we narrow America's homeownership gap, we must eliminate the 'wealth and savings' gap that holds back our country's Hispanic and minority communities," said Dwight P. Robinson, senior vice president of corporate relations at Freddie Mac, one of the nation's largest investors in affordable mortgages. "By supporting Hispanic America Saves, Freddie Mac is helping more Latino families today lay the financial groundwork for achieving homeownership tomorrow."

Hispanic Organizations Support Hispanic America Saves

Hispanic America Saves has garnered support from leading national Hispanic organizations including the National Puerto Rican Coalition, Inc. (NPRC), League of United Latin American Citizens (LULAC), and the Cuban American National Council.

Manuel Mirabal, NPRC President and CEO and Chair of the National Hispanic Leadership Agenda, endorsed the program. "The Hispanic America Saves initiative will provide valuable information to the Latino community on how to save and how to leverage their savings to improve their personal wealth. This program will help show the community that, whatever your income level, there is a portion that can be set aside to offer a financial security blanket for your future."

"We believe that establishing clear savings goals is a necessary first step toward preparing for homeownership," said Brent Wilkes, LULAC Executive Director. "LULAC will incorporate the Hispanic America Saves curriculum into the financial literacy program, CreditSmart Español, we currently offer with Freddie Mac. Building equity is the key to securing a family's financial future."

"The Cuban American National Council is pleased to partner with the Consumer Federation of America and Freddie Mac in this new effort to promote good savings habits among Latinos," said Alicia Diaz, Director of Government Affairs for the Cuban American National

Council. “America Saves will make saving for the future an attainable goal for many Latinos seeking the dream of a college education or home ownership. As partners in this initiative with CFA and Freddie Mac, we gain an important new asset: a well-designed, practical tool that complements our financial literacy efforts, a tool that can be readily integrated into our current community service programs in education, training, housing and employment.”

The development by America Saves of this outreach to Hispanic Americans was supported by the America Saves Advisory Group. Its members include Cuban American National Council, El Paso Saves, El Paso Credit Union Affordable Housing, Hispanic Association of Colleges and Universities, League of United Latin American Citizens, MANA, National Council of La Raza, National Puerto Rican Coalition, Inc., American Express Company, Consumer Federation of America, Federal Reserve Board, Federal Trade Commission, Freddie Mac, National Federation of Community Development Credit Unions, and Office of the Comptroller of the Currency.

SAVING AND WEALTH FACTS FOR HISPANIC AND ALL AMERICANS

	Latinos 1989	Latinos 2001	All Americans 2001
Median household wealth	\$6,883	\$11,450	\$86,100
Financial planning horizon			
Next few months	45%	28%	18%
At least 5 years	23%	33%	41%
Relation of spending to income			
Spend more than income	NA	19%	14%
Spend less than income	NA	44%	59%
Saving habits			
Do not save	37%	34%	22%
Save regularly	29%	33%	41%

Source: Federal Reserve Board Survey of Consumer Finances, 1989 and 2001

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CFA is a non-profit association of 300 pro-consumer groups that was founded in 1968 to advance the consumer interest through research, education, and advocacy.

Freddie Mac is a stockholder-owned corporation chartered by Congress in 1970 to create a continuous flow of funds to mortgage lenders. By supplying lenders with the money to make mortgages and packaging the mortgages into marketable securities, Freddie Mac sustains a stable mortgage credit system and reduces the mortgage rates paid by homebuyers. Over the years, Freddie Mac has opened the doors for one in six homebuyers in America and two million renters. (More information on Freddie Mac can be found on the company's web site located at www.freddiemac.com.)