Homeownership Affordability Across Counties in Nevada

Antonio Solorio, Economist II

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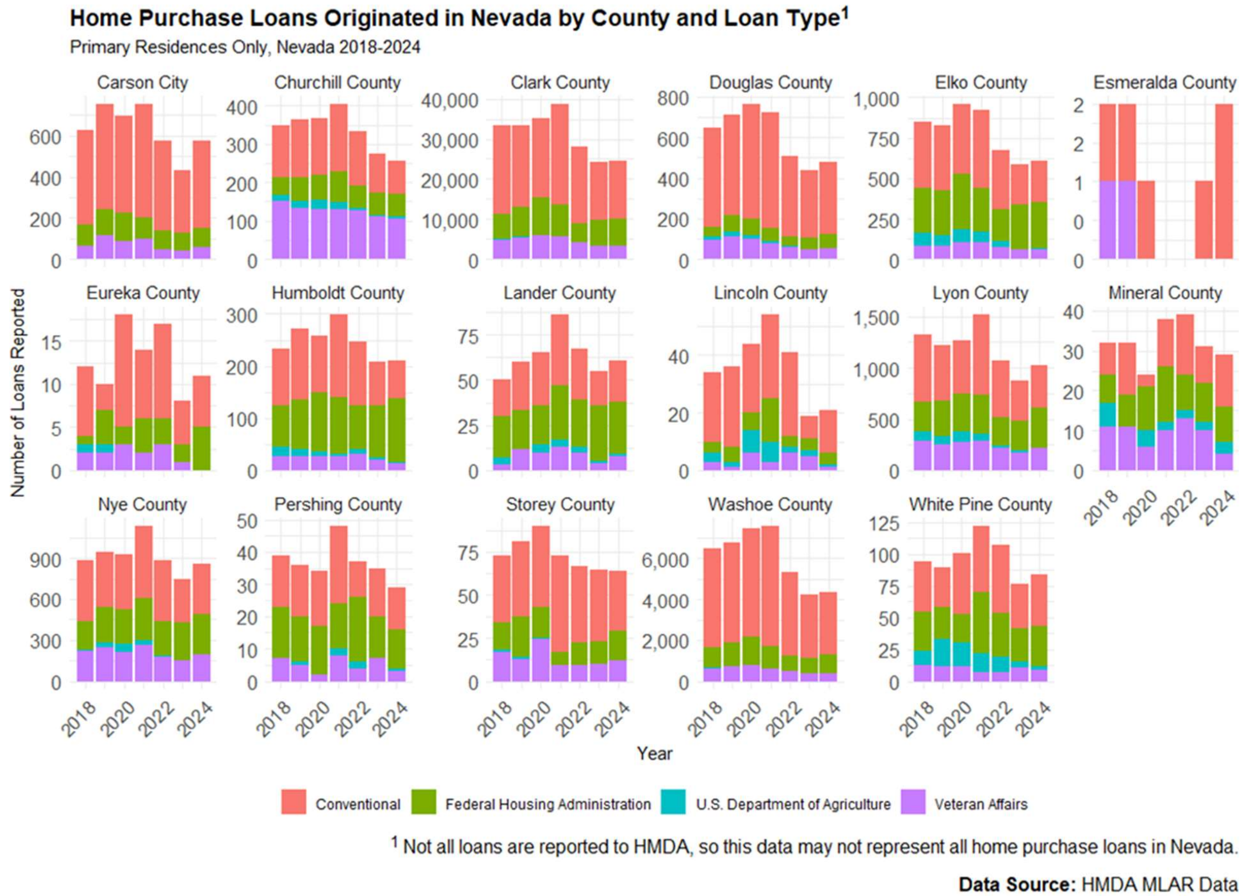
Introduction

The main purpose of this research note will be to explore the different components of homeownership affordability across different counties in Nevada. Our sources of data will include the Home Mortgage Disclosure Act (HMDA) Modified Loan Register (MLAR) data, Federal Housing Finance Agency (FHFA) Home Price Index (HPI), Freddie Mac's Primary Mortgage Market Survey (PMMS), and the Small Area Income and Poverty Estimates (SAIPE) program. Homeownership affordability is a key factor in determining the overall economic well-being of a region, as it affects both the housing market and the broader economic conditions for labor market participants. Unaffordable housing creates obstacles for employers as it dissuades potential employees from relocating to the area, or forces employees to commute over longer distances which itself creates additional infrastructure costs for the region.

Distribution of Home Purchase Loans by Loan Type Across Counties

The Home Mortgage Disclosure Act (HMDA) Modified Loan Application Register (MLAR) data provides information on home purchase loans, including demographic information of the applicants and information about the loans themselves.[1] The following chart shows the distribution of home purchase loans by loan type across different counties in Nevada.



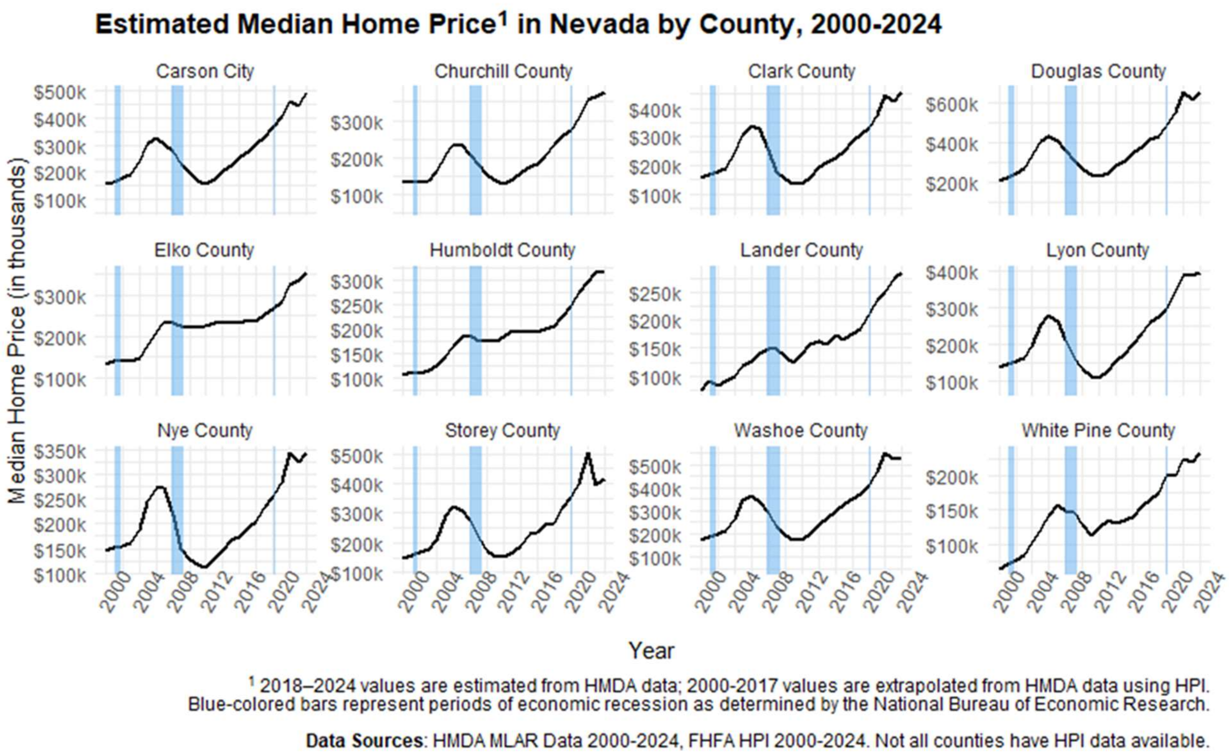
Summary of Findings

The chart shows that most home purchase loans in Nevada are conventional, followed by government-backed loans. Loan activity peaks around 2020–2021, likely driven by the low interest rates that followed the Federal Reserve's COVID-19 response. As inflation rose in 2021, subsequent rate hikes likely contributed to the decline in home purchase loans. Rural counties tend to have a higher share of government-backed loans, which generally have lower loan limits suited to areas with lower home prices. VA loans are also more common in rural areas, reflecting the larger veteran populations in those regions.

[1] For more information on HMDA MLAR data, please visit the Consumer Financial Protection Bureau (CFPB) website.

Property Values Across Counties

The HMDA MLAR dataset also provides information on the property values of homes purchased with home loans. The reported property values are commonly based on appraisals and automatic valuation models. HMDA MLAR data started publicly reporting property values in 2018, because of this we extrapolate property values prior to 2018 using Federal Housing Finance Agency (FHFA) House Price Index (HPI) data.[2] A detailed explanation of the extrapolation method is included in *Appendix A*. The following chart shows the median property values of homes purchased with home loans across different counties in Nevada.



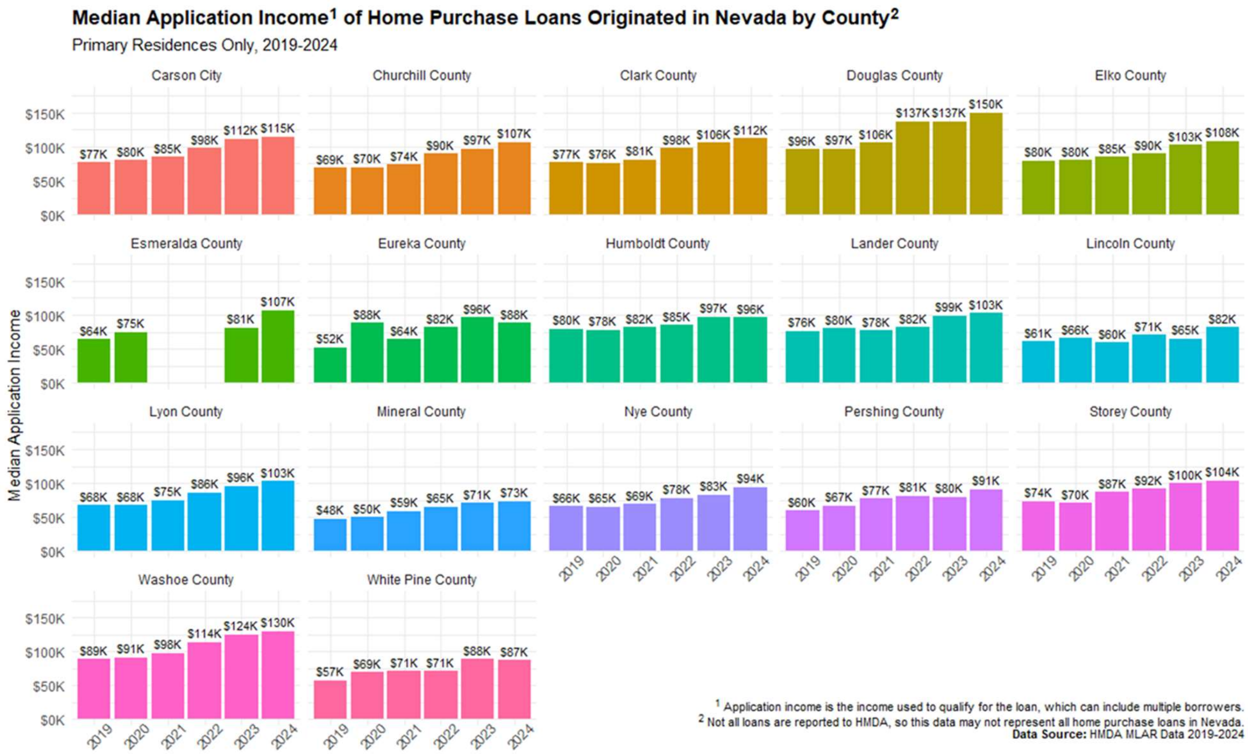
Summary of Findings

We can see the effect of the Great Recession in 2008 in the chart above, with property values declining significantly across various counties. Interestingly some rural counties such as: Elko, Humboldt, and Lander appear to have experience milder downswings. Following the Great Recession, property values appreciate at an accelerated pace in many counties starting around 2012. The short-lived COVID-19 recession caused interest rates to decline to some of the lowest levels in years as the Federal Reserve attempted to stimulate the economy. The effect can be seen in the slight acceleration in property value appreciation around 2020-2021. Once the Federal Reserve began raising interest rates in 2022 to combat inflation, property value appreciation slowed down, and in some counties even declined marginally.

[2] For more information on FHFA HPI data, please visit https://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index.aspx.

Median Application Income Across Counties

Using the HMDA MLAR dataset, we can also analyze the median application income of home purchase loan applicants across different counties in Nevada. Taking a look at only primary residence loans, the following chart shows the median application income of home purchase loan applicants across different counties in Nevada.

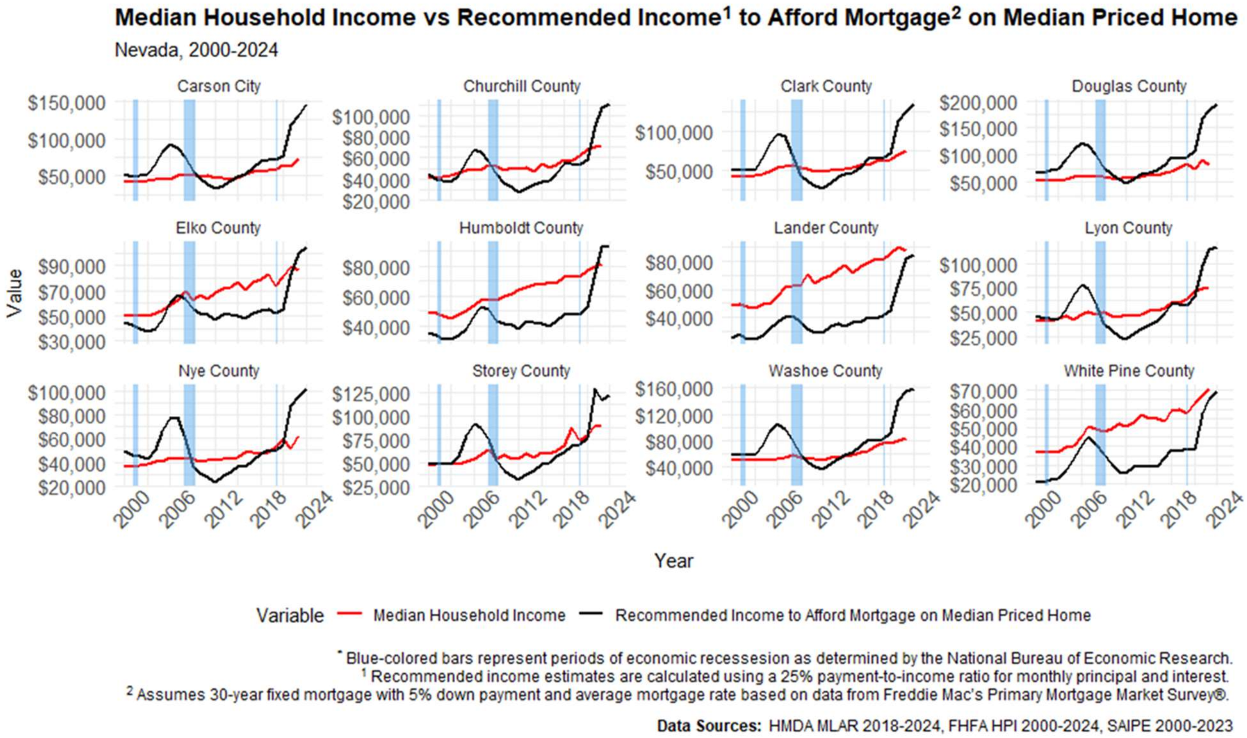


Summary of Findings

The chart above displays the median application income of primary home purchase loan applicants across different counties in Nevada. This is the median of the income reported by applicants who were approved for mortgages used to purchase homes they intended to live in as their primary residence. Not surprisingly, we can observe the median application income increasing over time across all counties. This matches the general trend of rising property values. The county with the highest median application income is Douglas County, which encapsulates some of the wealthier communities near Lake Tahoe. The smaller rural counties tend to have lower median application incomes, which is consistent with the lower property values observed in those areas.

Median Household Income vs. Recommended Income

To get a better understanding of homeownership affordability, we can compare the median household income from the Small Area Income and Poverty Estimates (SAIPE) program with the recommended income needed to afford the median home value in each county. The recommended income is calculated by assuming a 5% down payment, a 30-year fixed mortgage at the average annual interest rate for that year, and a 25% payment-to-income ratio. [3] [4]



Summary of Findings

By comparing the median household income with the recommended income needed to afford the median home value, we can assess the affordability of homeownership in each county. We can see that in the most urban counties such as Clark, Douglas, Washoe and Carson City the recommended income has outpaced the median household income in recent years. This indicates that homeownership is becoming less affordable in these areas. In contrast, some rural counties such as Elko, Humboldt, Lander and White Pine have seen the median household income keep pace with the recommended income, suggesting that homeownership remains relatively more affordable in these regions. The chart helps to highlight how affordability challenges have become more pronounced in recent years as recent interest rate hikes have pushed up the recommended income needed to afford median home values.

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[3] For more information on the SAIPE program, please visit the https://www.census.gov/programs-surveys/saipe/about.html.

[4] The interest rate data is sourced from Freddie Mac's Primary Mortgage Market Survey: https://www.freddiemac.com/pmms/.

Conclusion

From the analysis above, it is clear that homeownership affordability varies widely across Nevada's counties. Urban areas tend to have higher property values and, consequently, require higher household incomes. However, while property values have risen sharply since the Great Recession, household income growth has not kept pace with the income needed to afford median-priced homes. As a result, homeownership has become increasingly difficult in urban counties.

In contrast, rural counties generally have lower property values and median applicant incomes, yet homeownership remains relatively more attainable in these areas. If current trends persist, urban counties may face growing challenges as high housing costs discourage potential workers from relocating or force them to commute longer distances.

Affordable housing is essential for attracting and retaining a skilled workforce. Without sufficient affordable housing options, migration to urban counties could slow, making it harder for employers to recruit out-of-state talent. In turn, this talent shortage could constrain private investment and limit economic expansion in the region.

Appendix A:

The FHFA publishes HPI series for most of the counties in Nevada except for Esmeralda, Eureka, Lincoln, Mineral and Pershing. The known estimated median property values for years 2018-2022 are used in combination with each available county's respective HPI series in the following manner to estimate median property values prior to 2018:

$$\text{Average Estimated Median Value}_{\text{Year } y} = \frac{1}{N}\sum_{i=2018}^{2022}\left(\text{Median Value}_i \times \frac{\text{HPI}_{\text{Year } y}}{\text{HPI}_i}\right)$$

Where:

- **N** is the number of years with known median values (2018 to 2022), so $N = 5$.
- **Median Value$_i$** is the known median property value for the subject county for each reference year i within 2018 to 2022.
- **HPI$_{\text{Year y}}$** is the county's House Price Index for the target year y, for which the median value is being estimated.
- **HPI$_i$** is the county's House Price Index for the reference year i.

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